

COUNTY AUDIT

TEXAS COUNTY

For the fiscal year ended June 30, 2011



*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

**TEXAS COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

December 3, 2013

TO THE CITIZENS OF
TEXAS COUNTY, OKLAHOMA

Transmitted herewith is the audit of Texas County, Oklahoma for the fiscal year ended June 30, 2011. 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

**TEXAS COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**TEXAS COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

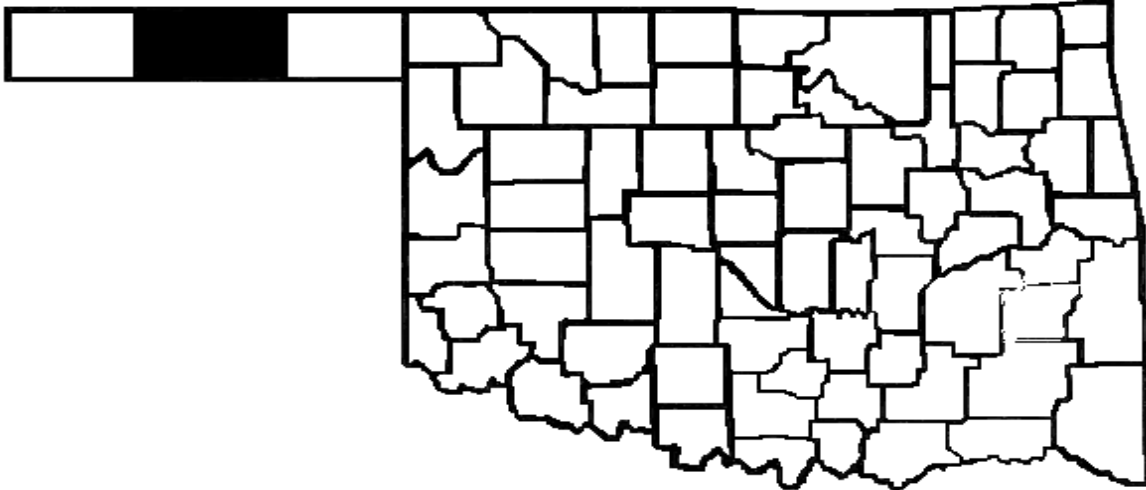
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**TEXAS COUNTY, OKLAHOMA
STATISTICAL INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**



Texas County was formed at statehood from the central one-third of “Old Beaver County,” also known as “No Man’s Land.” It took its name from the state of Texas. Its county seat is named for E.T. Guymon, uncle of George E. Ellison, who established the first business in that town.

The Beaver River is the principal stream in Texas County, rising in northeastern New Mexico and emptying into the Canadian River near Eufaula. It is joined by Wolf Creek near Fort Supply and from there becomes known as the North Canadian River.

Texas County consists of level plains and rolling hills. Many trees, especially cottonwood, grow along the streams. A large number of irrigation wells in the county help stabilize farming.

Wheat, grain sorghums, and cattle are the chief agricultural industries, ranking near the top among counties of the state in all three. The county ranks high in natural gas and petroleum, being first in gas production among all counties of the United States. Industries in the area include gasoline extraction plants, and beef and pork production.

The county is served by three historical societies: Texhoma Historical Society, Beaver River Historical Society, and Daughters of the American Revolution. For more information, call the county clerk’s office at 580/338-3233.

County Seat – Guymon

Area – 2,048.81 Square Miles

County Population – 21,135
(2009 est.)

Farms (2007) – 1,038

Land in Farms (2007) – 1,205,978 Acres

Primary Source: Oklahoma Almanac 2011-2012

Board of County Commissioners

District 1 – Ted Keeling
District 2 – Gary D. Winters
District 3 – Jack Strain

County Assessor

Jerry O. Tucker

County Clerk

Marcia Hollingshead

County Sheriff

Rick Caddell

County Treasurer

Rita Wise

Court Clerk

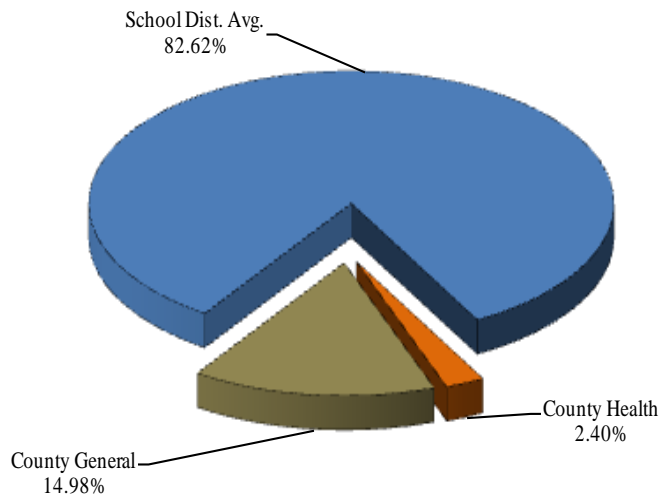
Karen Parish

District Attorney

James M. Boring

**TEXAS COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

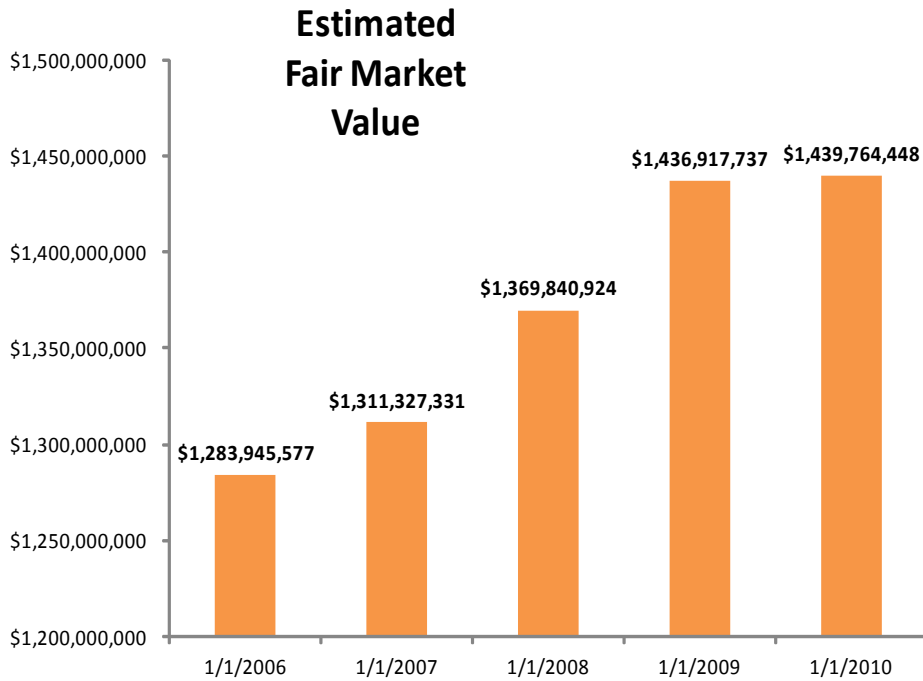
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the 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. | City Sinking | Common | Total |
| County General | 10.00 | | | | | | | | |
| County Health | 1.60 | Yarbrough | I-1 | 35.00 | 5.00 | 7.24 | - | 4.00 | 51.24 |
| | | Guymon | I-8 | 35.00 | 5.00 | 9.02 | - | 4.00 | 53.02 |
| | | Optima | I-9 | 35.00 | 5.00 | - | - | 4.00 | 44.00 |
| | | Hardesty | I-15 | 35.00 | 5.00 | 6.00 | - | 4.00 | 50.00 |
| | | Hooker | I-23 | 35.00 | 5.00 | 3.56 | - | 4.00 | 47.56 |
| | | Tyrone | I-53 | 35.00 | 5.00 | 17.48 | - | 4.00 | 61.48 |
| | | Goodwell | I-60 | 35.00 | 5.00 | 15.11 | 6.69 | 4.00 | 65.80 |
| | | Texhoma | I-61 | 35.00 | 5.00 | 3.76 | - | 4.00 | 47.76 |
| | | Straight | I-80 | 35.00 | 5.00 | - | - | 4.00 | 44.00 |
| | | Cimarron Co | JT-11 | 35.00 | 5.00 | 8.96 | - | 4.00 | 52.96 |
| | | Beaver Co | JT-128 | 35.00 | 5.00 | - | - | 4.00 | 44.00 |

**TEXAS COUNTY, OKLAHOMA
 ASSESSED VALUE OF PROPERTY
 TREND ANALYSIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

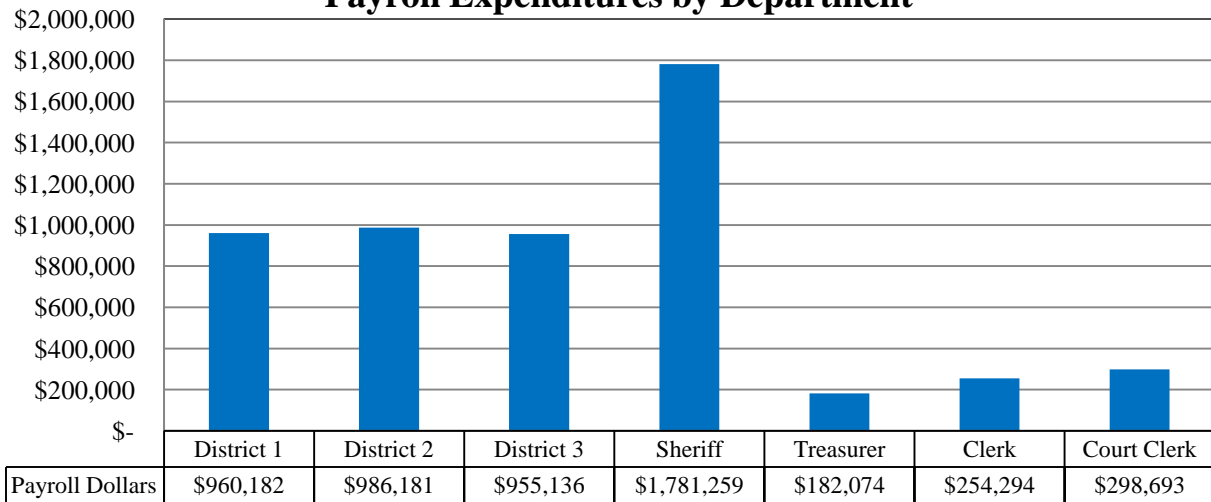
| Valuation Date | Personal | Public Service | Real Estate | Homestead Exemption | Net Value | Estimated Fair Market Value |
|----------------|--------------|----------------|---------------|---------------------|---------------|-----------------------------|
| 1/1/2010 | \$74,879,364 | \$19,682,841 | \$101,091,899 | \$3,391,193 | \$192,262,911 | \$1,439,764,448 |
| 1/1/2009 | \$75,808,999 | \$20,444,016 | \$99,359,138 | \$3,392,472 | \$192,219,681 | \$1,436,917,737 |
| 1/1/2008 | \$68,355,214 | \$22,738,334 | \$96,787,636 | \$3,396,177 | \$184,485,007 | \$1,369,840,924 |
| 1/1/2007 | \$63,531,646 | \$23,947,830 | \$93,316,321 | \$3,399,665 | \$177,396,132 | \$1,311,327,331 |
| 1/1/2006 | \$61,151,849 | \$25,750,361 | \$91,110,980 | \$3,449,427 | \$174,563,763 | \$1,283,945,577 |



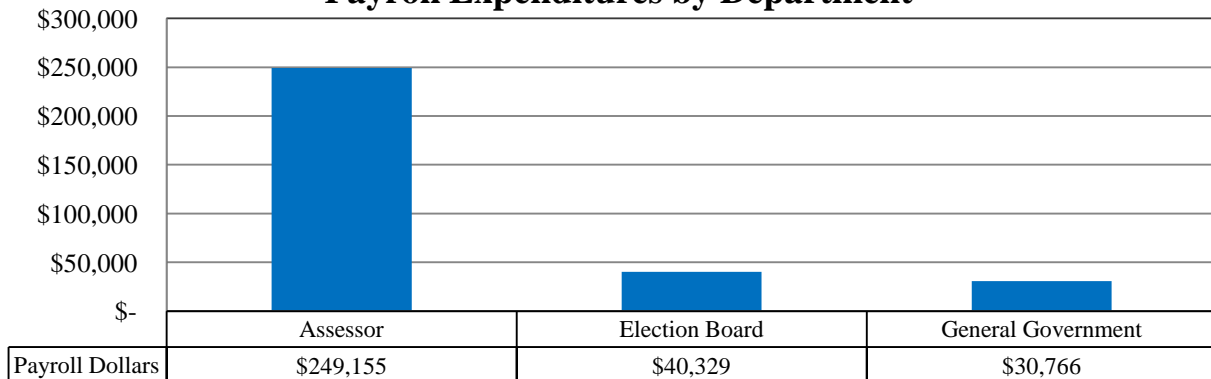
**TEXAS COUNTY, OKLAHOMA
COUNTY PAYROLL EXPENDITURES ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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, 2011.

Payroll Expenditures by Department



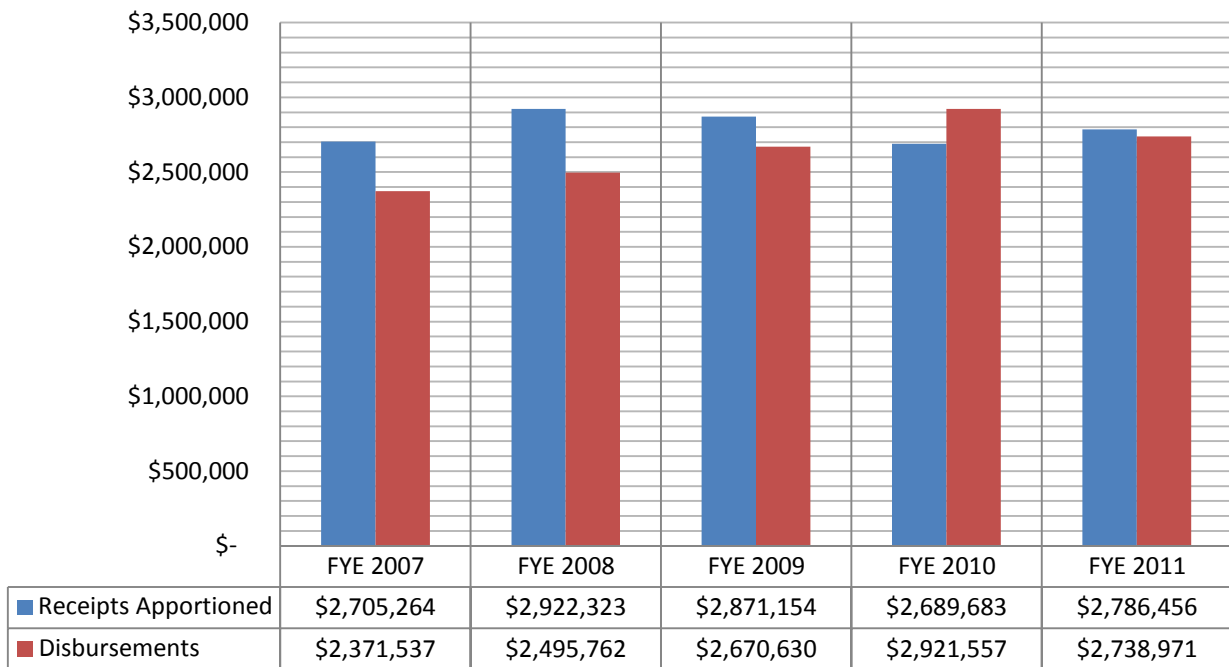
Payroll Expenditures by Department



**TEXAS COUNTY, OKLAHOMA
COUNTY GENERAL FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

County General Fund

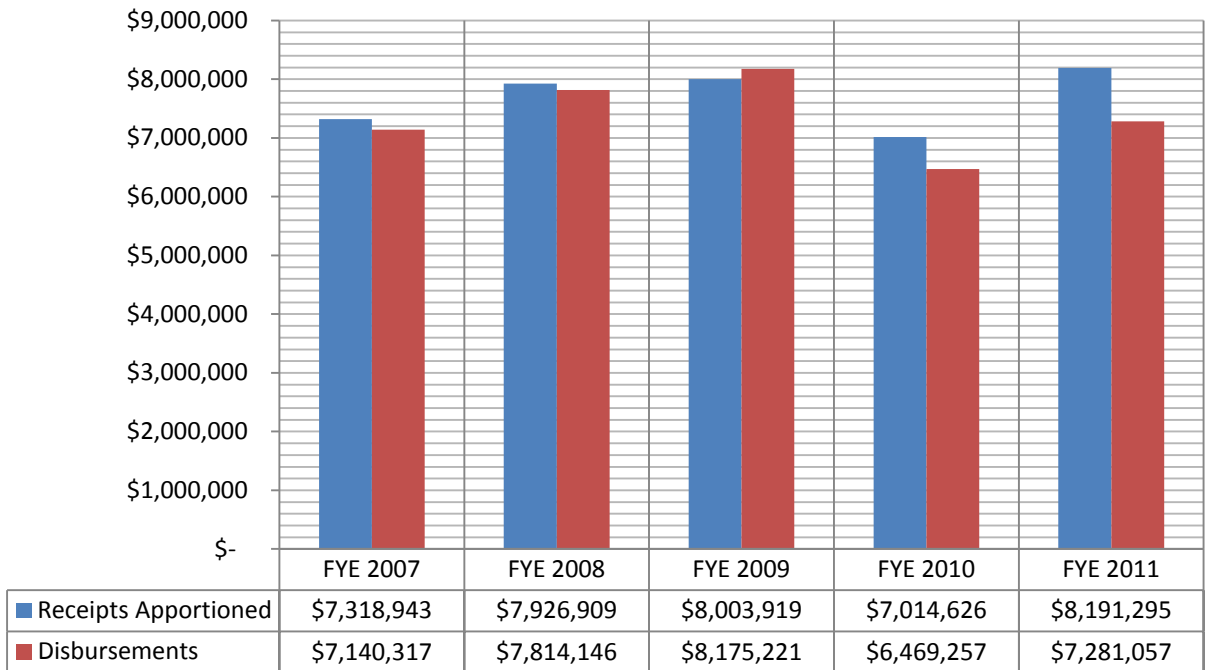
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also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



**TEXAS COUNTY, OKLAHOMA
COUNTY HIGHWAY FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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
TEXAS 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 Texas County, Oklahoma, as of and for the year ended June 30, 2011, listed in the table of contents as the financial statement. This financial statement is the responsibility of Texas 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 Texas County as of June 30, 2011, 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 Texas County, for the year ended June 30, 2011, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2013, on our consideration of Texas 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 remaining Other Supplementary Information, as listed in the table of contents, is presented for purposes of additional analysis, and is not a required part of the financial statement. Such supplementary information has been subjected to the auditing procedures applied in the audit of the combined total—all county funds on the regulatory basis Statement of Receipts, Disbursements and Changes in Cash Balances and, in our opinion, is fairly stated, in all material respects, in relation to the combined total—all county funds. The information listed in the table of contents under Introductory Section has not been audited by us, and accordingly, we express no opinion on it.

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

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

December 2, 2013

REGULATORY BASIS FINANCIAL STATEMENT

TEXAS 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, 2011

| | Beginning Cash Balances July 1, 2010 | Receipts Appportioned | Disbursements | Ending Cash Balances June 30, 2011 |
|---|--|--------------------------|----------------------|--|
| Combining Information: | | | | |
| Major Funds: | | | | |
| County General Fund | \$ 4,726,109 | \$ 2,786,456 | \$ 2,738,971 | \$ 4,773,594 |
| County Highway Cash | 6,095,089 | 8,191,295 | 7,281,057 | 7,005,327 |
| Couth Health Department | 323,707 | 325,226 | 248,227 | 400,706 |
| Sheriff Sales Tax | 883,191 | 1,247,611 | 1,369,212 | 761,590 |
| State Criminal Alien Assistance Program Grant | 84,900 | 59,783 | 53,777 | 90,906 |
| County Sales Tax Proceeds | 3,911,141 | 77,016 | 226,100 | 3,762,057 |
| 40% Sales Tax | 588,790 | 822,209 | 92,578 | 1,318,421 |
| Grant Account | - | 5,000 | - | 5,000 |
| Remaining Aggregate Funds | 1,832,442 | 1,186,642 | 1,078,987 | 1,940,097 |
| Combined Total - All County Funds | <u>\$ 18,445,369</u> | <u>\$ 14,701,238</u> | <u>\$ 13,088,909</u> | <u>\$ 20,057,698</u> |

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

**TEXAS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

1. Summary of Significant Accounting Policies

A. Reporting Entity

Texas County is a subdivision of the State of Oklahoma created by the Oklahoma Constitution and regulated by Oklahoma Statutes.

The accompanying financial statement presents the receipts, disbursements, and changes in cash balances of the total of all funds under the control of the primary government. The general fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund, where its use is restricted for a specified purpose. Other funds established by statute and under the control of the primary government are also presented.

The County Treasurer collects and remits material amounts of intergovernmental revenues and ad valorem tax revenue for other budgetary entities, including school districts, and cities and towns. The cash receipts and disbursements attributable to those other entities do not appear in funds on the County's financial statement; those funds play no part in the County's operations. Any trust or agency funds maintained by the County are not included in this presentation.

B. Fund Accounting

The County uses funds to report on receipts, disbursements, and changes in cash balances. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

Following are descriptions of the county funds included as combining information within the financial statement:

County General Fund – accounts for the general operations of the government.

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

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

Sheriff Sales Tax – accounts for the collection of sales tax money and is disbursed for the purpose of maintenance and operations of the Sheriff's office.

State Criminal Alien Assistance Program Grant – accounts for the reimbursement for housing of illegal aliens.

**TEXAS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

County Sales Tax Proceeds – accounts for the remaining balance of sales tax monies collected from the period August 1, 2009 through July 31, 2024. The sales tax is disbursed to provide assistance to the Texas County Memorial Hospital, Rural Emergency Service Departments including fire, ambulance, and 911 services, and the Texas County Free Fair.

40% Sales Tax – accounts for the collection of sales tax money to be disbursed for rural Texas County emergency providers including ambulance and fire services, rural 911 emergency telephone services, the Texas County Memorial Hospital, the Texas County Free Fair, and the Sheriff of Texas County for the Texas County Detention Center.

Grant Account – accounts for the collection of grant funds for emergency civil management to be disbursed in compliance with grant requirements.

C. Basis of Accounting

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

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

D. Budget

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

E. Cash and Investments

For the purposes of financial reporting, “Ending Cash Balances, June 30” includes cash and cash equivalents and investments as allowed by statutes. The County pools the cash of its various funds in maintaining its bank accounts. However, cash applicable to a particular fund is readily

**TEXAS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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.

Unpaid delinquent personal property taxes are published usually in May. If the taxes are not paid within 30 days from publication, they shall be placed on the personal tax lien docket.

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 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

**TEXAS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

On November 4, 2008, Texas County voters approved a one-cent sales tax continuation of the sales tax which began August 1, 1994 and expired July 31, 2009. Said sales tax continued collections on August 1, 2009 and will end July 31, 2024. The sales tax shall be to provide necessary funding for expenses relating to operations of county entities providing services essential for the health, safety, security, and well being of the citizens of Texas County.

Distribution of the sales tax is 60% to the County Sheriff Sales Tax Fund and 40% to the 40% Sales Tax Fund for assistance to the Texas County Memorial Hospital, Rural Emergency Service Departments including fire, ambulance, and 911 services, Texas County Free Fair, and Texas County Detention Center, including the payment of debt service on indebtedness incurred by or for any such county entities by the county or any public trust of which the county is the beneficiary.

**TEXAS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

E. Restatement Footnote

The beginning fund balance for the Remaining Aggregate Funds has been restated to include Community Service Sentencing Program in the amount of \$1,721 and County Building in the amount of \$309,323. The total adjustment of \$311,314 is included in the restated beginning fund balance of \$1,832,442.

OTHER SUPPLEMENTARY INFORMATION

TEXAS 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, 2011

| | General Fund | | |
|--|------------------|------------------|------------------|
| | Budget | Actual | Variance |
| Beginning Cash Balances | \$ 4,726,109 | \$ 4,726,109 | \$ - |
| Less: Prior Year Outstanding Warrants | (107,045) | (107,045) | - |
| Less: Prior Year Encumbrances | (110,207) | (69,038) | 41,169 |
| Beginning Cash Balances, Budgetary Basis | <u>4,508,857</u> | <u>4,550,026</u> | <u>41,169</u> |
| Receipts: | | | |
| Ad Valorem Taxes | 1,651,040 | 1,934,307 | 283,267 |
| Charges for Services | - | 66,238 | 66,238 |
| Intergovernmental Revenues | 2,771 | 733,790 | 731,019 |
| Miscellaneous Revenues | - | 52,121 | 52,121 |
| Total Receipts, Budgetary Basis | <u>1,653,811</u> | <u>2,786,456</u> | <u>1,132,645</u> |
| Expenditures: | | | |
| District Attorney | 13,000 | 7,326 | 5,674 |
| County Sheriff | 419,817 | 398,853 | 20,964 |
| County Treasurer | 195,263 | 183,784 | 11,479 |
| County Commissioners | 152,320 | 152,091 | 229 |
| OSU Extension | 56,738 | 22,275 | 34,463 |
| County Clerk | 337,749 | 302,568 | 35,181 |
| Court Clerk | 117,797 | 116,202 | 1,595 |
| County Assessor | 110,513 | 110,080 | 433 |
| Revaluation of Real Property | 294,301 | 273,592 | 20,709 |
| Juvenile Shelter Bureau | 103,000 | 62,899 | 40,101 |
| District Court | 1,000 | 551 | 449 |
| General Government | 769,776 | 148,597 | 621,179 |
| Excise-Equalization Board | 5,200 | 2,446 | 2,754 |
| County Election Board | 68,641 | 49,785 | 18,856 |
| Insurance | 1,430,403 | 578,644 | 851,759 |
| Charity | 11,000 | 5,855 | 5,145 |
| Fire Fighting Services | 122,000 | 101,589 | 20,411 |
| Public Defender | 63,601 | 62,765 | 836 |
| Civil Defense | 59,334 | 54,442 | 4,892 |
| Highway Budget | 9,813 | 8,091 | 1,722 |
| County Audit Budget | 19,226 | 19,226 | - |
| Free Fair | 43,064 | 43,025 | 39 |
| Library | 2,000 | 957 | 1,043 |
| County Hospital | 48,065 | 48,065 | - |
| Building Maintenance | 1,709,047 | 111,001 | 1,598,046 |
| Total Expenditures, Budgetary Basis | <u>6,162,668</u> | <u>2,864,709</u> | <u>3,297,959</u> |

**TEXAS COUNTY, OKLAHOMA
 COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
 CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
 GENERAL FUND - CONTINUED
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

| | General Fund | | |
|---|--------------|--------------|--------------|
| | Budget | Actual | Variance |
| Excess of Receipts and Beginning Cash | | | |
| Balances Over Expenditures, Budgetary Basis | \$ - | 4,471,773 | \$ 4,471,773 |
| Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances | | | |
| Add: Current Reserves | | 149,611 | |
| Add: Current Year Outstanding Warrants | | 152,210 | |
| Ending Cash Balance | | \$ 4,773,594 | |

**TEXAS 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, 2011**

| | County Health Department Fund | | |
|---|-------------------------------|------------|------------|
| | Budget | Actual | Variance |
| Beginning Cash Balances | \$ 323,306 | \$ 323,707 | \$ 401 |
| Less: Prior Year Outstanding Warrants | (5,927) | (5,552) | 375 |
| Less: Prior Year Encumbrances | (10,116) | (8,791) | 1,325 |
| Beginning Cash Balances, Budgetary Basis | 307,263 | 309,364 | 2,101 |
| Receipts: | | | |
| Ad Valorem Taxes | 279,655 | 309,243 | 29,588 |
| Charges for Services | 17,060 | 12,484 | (4,576) |
| Intergovernmental | 16,061 | 1,849 | (14,212) |
| Miscellaneous Revenues | 562 | 1,650 | 1,088 |
| Total Receipts, Budgetary Basis | 313,338 | 325,226 | 11,888 |
| Expenditures: | | | |
| Health and Welfare | 620,601 | 268,839 | 351,762 |
| Total Expenditures, Budgetary Basis | 620,601 | 268,839 | 351,762 |
| Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis | \$ - | 365,751 | \$ 365,751 |
| Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances | | | |
| Add: Current Year Encumbrances | | 16,046 | |
| Add: Current Year Outstanding Warrants | | 18,909 | |
| Ending Cash Balance | | \$ 400,706 | |

TEXAS COUNTY, OKLAHOMA
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS—
REMAINING AGGREGATE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

| | Beginning Cash Balances July 1, 2010 | Receipts Apportioned | Disbursements | Ending Cash Balances June 30, 2011 |
|---|--|-------------------------|---------------------|--|
| Remaining Aggregate Funds: | | | | |
| County Commissioner Reward Fund | \$ 458 | \$ 8 | \$ - | \$ 466 |
| Resale Property | 76,459 | 79,081 | 46,390 | 109,150 |
| Treasurer Mortgage Tax Certification Fee | 8,422 | 2,475 | | 10,897 |
| County Clerk Lien Fee | 153,850 | 13,204 | 43,448 | 123,606 |
| County Clerk Records Preservation Fee | 129,449 | 19,110 | 20,855 | 127,704 |
| Sheriff Service Fee | 850,810 | 518,180 | 415,903 | 953,087 |
| Sheriff Special Revenue | 65,315 | 37,943 | 45,430 | 57,828 |
| Sheriff Commissary | 64,844 | 97,868 | 79,036 | 83,676 |
| Sheriff Training | 874 | - | - | 874 |
| Juvenile Detention | 86,795 | 368,159 | 380,091 | 74,863 |
| Assessor Revolving Fee | 18,653 | 5,982 | 8,892 | 15,743 |
| Assessor Visual Inspection | 388 | 24 | - | 412 |
| Assessor Equipment Upgrade | 101 | - | - | 101 |
| Community Service Sentencing Program | 1,721 | - | - | 1,721 |
| Activity Center/Free Fair | 22,259 | 33,776 | 29,331 | 26,704 |
| Local Emergency Planning Commission | 42,445 | 9,841 | 9,611 | 42,675 |
| ACCO Safety Awards | 1 | - | - | 1 |
| County Building | 309,593 | 991 | - | 310,584 |
| Sinking Fund | 5 | - | - | 5 |
| Combined Total - Remaining Aggregate Funds | \$ 1,832,442 | \$ 1,186,642 | \$ 1,078,987 | \$ 1,940,097 |

**TEXAS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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:

County Commissioner Reward Fund – accounts for money received through the District Court and disbursed to citizens reporting crime in the County in which a reward is offered.

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

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

Sheriff Special Revenue – accounts for the collection of medical fees reimbursed from prisoners and disbursements are made for general operations of the Sheriff's office.

**TEXAS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Sheriff Commissary – accounts for the collection of fees from purchases of commissary goods by prisoners. Disbursements are for the maintenance and operation of the Sheriff's office and stocking of commissary vendor payments.

Sheriff Training – accounts for the collection of miscellaneous receipts and disbursement for the training of sheriff deputies.

Juvenile Detention – accounts for the collection from the State of Oklahoma and other Oklahoma Counties for the housing of juvenile offenders. Disbursements are for the operation of the juvenile detention center.

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

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

Assessor Equipment Upgrade – accounts for the collection of a grant to be used to update equipment in the Assessor's office.

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

Activity Center/Free Fair – accounts for the collection of sales tax funds and is disbursed for the operations of the free fair organization.

Local Emergency Planning Commission – accounts for the collection of fees received from pipeline companies and disbursement of funds may be used for emergency planning, training, and equipment.

ACCO Safety Awards – accounts for the collection of state-wide safety award from the Association of County Commissioners of Oklahoma to be disbursed to employees of Texas County Qualifying for the award.

County Building – accounts for the collection of funds used for the maintenance and remodeling of county buildings.

Sinking Fund – accounts for monies collected on behalf of Texas County from ad valorem taxes, used to pay principal and interest on outstanding bonds. There has been no activity in this fund for several years.

INTERNAL CONTROL AND COMPLIANCE SECTION



Oklahoma State Auditor & Inspector

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**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
TEXAS COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Texas County, Oklahoma, as of and for the year ended June 30, 2011, which comprises Texas County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated December 2, 2013. 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, 2011, 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 Texas 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 Texas 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 and other deficiencies that we consider to be significant deficiencies.

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

responses to be material weaknesses in internal control over financial reporting. 2011-1, 2011-2, 2011-4, and 2011-5.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control described in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting. 2011-8.

Compliance and Other Matters

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

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

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



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

December 2, 2013

**TEXAS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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: 2011-1—Inadequate County-Wide Controls

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

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

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

Recommendation: 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: Management will assess and identify risk and work to implement recommendations of OSAI.

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

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

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.

**TEXAS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Finding: 2011-2—Inadequate Segregation of Duties Over Cash Receipts and Cash Balances

Condition: Based upon inquiry of County Treasurer personnel and observation of the receipting and balancing processes of the County Treasurer's office, the following weaknesses were noted:

Receipting Process:

- All employees are receiving collections and issuing receipts from the customers at the counter.
- All employees work from one cash drawer.
- The County Treasurer and employees issuing receipts are also responsible for balancing the cash drawer, preparing the deposit, delivering the deposit to the financial institution, posting to accounting records, and reconciling monthly bank statements.
- For taxpayers who bring tax statements to the office of the Treasurer, the process is that deputies tear off the top portion of the tax statement and document in writing or by stamping the date received, the deputies initials, the amount received, document check or cash, and return to the taxpayer as their receipt.
- The deputies place the bottom portion of the tax statement (documented with the same information) on the desk of a deputy, who enters payments into the computer system, and the money is placed into the cash drawer.
- For taxpayers who do not bring their tax statement to the office of the Treasurer, a tax statement is printed for them and the same procedure, as stated above, is performed.
- Subsequent to the above process, a deputy posts tax payments into the tax software system and a computer generated ad valorem tax receipt is printed and maintained by the office of the Treasurer.
- Taxpayers do not receive the computer generated receipt; thus the handwritten or stamped receipt could be different than the receipt entered into the computer system.
- The employee responsible for posting to the tax software system may also receive tax collections from walk-in customers.

Balancing process:

- The Treasurer's office is maintaining three separate types of accounting records in order to perform the daily duties of the office.
- The three systems include the manual ledgers, computer software, and an Excel spreadsheet for the general ledger.
- The accounting records are not reconciled to each other.
- The daily report is prepared by the same employee posting to the manual ledger and the Excel spreadsheet.
- The County Treasurer prepares the monthly apportionment using an Excel spreadsheet; however, she prepares the monthly report using the computer software.

Cause of Condition: Procedures have not been designed to segregate the duties over all aspects of the receipting process and cash balances process in the office of the County Treasurer. Procedures have also not been designed to issue computer generated tax receipts at the time of collections.

**TEXAS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Effect of Condition: A single person having responsibility for more than one area of recording, authorization, custody of assets, and execution of transactions could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner. Further, since the office of the Treasurer does not issue computer generated receipts at the time of collections, the risk of error or fraud is increased.

Recommendation: OSAI recommends the County Treasurer discontinue the manual receipting process of ad valorem tax collections. All tax collections should be posted to the tax software system and a computer generated receipt be issued to the taxpayer at the time of collection to reduce the risk of error or fraud. OSAI also recommends the County Treasurer discontinue maintaining three separate types of accounting records to perform the daily duties of the office.

Further, OSAI recommends the County Treasurer be aware of these conditions and realize that a concentration of duties and responsibilities is not desired from a control point of view. The most effective procedures lie in management's overseeing of office operations and a periodic review of operations. OSAI additionally recommends the County Treasurer separate key processes and/or critical functions of the office, and implement review and approval processes of accounting functions to provide segregation of duties so that no one employee is able to perform all accounting functions.

Management Response: The County Treasurer is aware that all employees receive collections and work from the same cash drawer, but believes there is a separation of duties within the office. The Excel spreadsheet is used by an employee who is familiar with spreadsheets and chose to use a spreadsheet for daily activity. The County Treasurer is upgrading the software system in the effort to use the system to its full capacity. However, the manual ledgers and the Excel spreadsheets will continue to be a part of daily and monthly operations.

Auditor Response: The duties within the Treasurer's office are not adequately segregated. When more than one set of accounting records are utilized, procedures should be designed and implemented to ensure that all financial records are accurate and reconciled.

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.

Finding: 2011-4—Inadequate Internal Controls Over Purchasing Procedures

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

- A single employee is responsible for the encumbrance of funds, the first review of purchase orders, printing warrants, registering warrants with the County Treasurer, and distributing them to vendors.

**TEXAS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

- The encumbrance of funds can be accomplished by the three Highway Districts and the Juvenile Detention Center using remote access into the County Clerk's purchasing software. There are no formal, written policies or procedures regarding security and internal controls over the computer system.
- In Highway District 2 and Highway District 3, passwords are not required to access the County Clerk's purchasing software.

Cause of Condition: Procedures have not been designed over the purchasing process to ensure adequate internal controls and compliance with state statutes.

Effect of Condition: These conditions could result in unrecorded transactions, misstated financial reports, undetected errors, and misappropriation of funds.

Recommendation: OSAI recommends the key accounting functions of the purchasing process be adequately segregated.

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

Further, OSAI recommends that the County design and implement formal, written policies or procedures regarding the security of using remote access into the County Clerk's purchasing software. One security measure is to require passwords for access into the purchasing software.

Management Response:

County Clerk: The County Clerk will work towards the design and implementation of formal written policies regarding the security and internal controls over using remote access into the County Clerk's software program by the Highway Districts and the Juvenile Detention Center.

BOCC Chairman: Management will work towards the design and implementation of formal written policies regarding the security and internal controls over using remote access into the County Clerk's software program. Further, passwords will be used as a security measure and will be changed every 90 days.

Criteria: Title 19 O.S. § 1500-1505 provides guidelines for purchasing procedures for county governments.

Further, accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designed to analyze and check accuracy, completeness, and authorization of

**TEXAS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

disbursements and/or transactions. To help ensure a proper accounting of funds, the duties of processing, authorizing, and distribution should be segregated.

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.

Finding: 2011-5—Inadequate Internal Controls Over the Payroll Process

Condition: Upon inquiry of the County Clerk and personnel, and observation of the County's payroll process, it was noted that the Payroll Clerk inputs new hire information into the payroll software system, maintains personnel files, makes payroll changes upon approval of the official, prints payroll claims for approval, and prepares OPERS reports.

Cause of Condition: Procedures have not been designed and implemented over the payroll process to ensure a proper segregation of duties.

Effect of Condition: These conditions could result in unrecorded transactions, misstated financial reports, undetected errors, and misappropriation of funds.

Recommendation: OSAI recommends the following key accounting functions of the payroll process be adequately segregated:

- Posting new hires and/or making payroll changes to the payroll system,
- Accessing personnel files,
- Printing payroll claims and/or other payroll reports for approval, and
- Preparing OPERS reports and state and federal tax reports.

Management Response: The County Clerk reviews all payroll transactions prepared by the Payroll Clerk and will implement procedures to initial and date the reviews and maintain supporting documentation.

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

**TEXAS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Finding: 2011-8—Inadequate Internal Controls Over Information Technology Systems and Disaster Recovery Plans

Condition: Upon inquiry of information technology systems for the County Clerk, County Treasurer, County Assessor, Court Clerk, and the County Sheriff, the following weaknesses were noted:

- Passwords over the information system are not changed every 90 days in the office of the County Clerk.
- The County Treasurer does not have a Disaster Recovery Plan in place with regard to the information system used within the office and passwords are not changed every 90 days.
- The County Assessor does not have a Disaster Recovery Plan in place with regard to the information system used within the office and passwords are not changed every 90 days.
- The Court Clerk does not have a Disaster Recovery Plan in place with regard to the information system used within the office.
- The County Sheriff does not have a Disaster Recovery Plan in place with regard to the information system used within the office and passwords are not changed every 90 days.

Cause of Condition: Procedures have not been designed and implemented over information systems due to management being unaware of the need for such procedures.

Effect of Condition: These conditions could result in the loss of data, the unreliability of data, and increases the risk that the County may not recover data in a timely manner during an emergency situation.

Recommendation: OSAI recommends that disaster recovery should be planned for and reasonable, to decrease the risk of the county failing to recover from emergencies. OSAI recommends passwords be eight characters in length, and changed every 90 days to enhance security against the unauthorized access of data.

Management Response:

County Assessor: The County Assessor will work towards both the design of a Disaster Recovery Plan and the implementation of a prompting of password changes every 90 days upon the guidance of the software provider.

County Clerk: The County Clerk will work towards the implementation of a prompting for password changes every 90 days upon the guidance of the software provider.

County Court Clerk: The Court Clerk will work towards the design of a Disaster Recovery Plan.

County Sheriff: The County Sheriff will work towards both the design of a Disaster Recovery Plan and the implementation of a prompting of password changes every 90 days upon the guidance of the software provider.

**TEXAS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

County Treasurer: The County Treasurer will work towards both the design of a Disaster Recovery Plan and the implementation of a prompting of password changes every 90 days upon the guidance of the software provider.

Criteria: An important aspect of internal controls is the safeguarding of assets. Internal controls over safeguarding of assets constitute a process, affected by an entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention in a County being unable to function in the event of an emergency and/or disaster.

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: 2011-9—Inadequate Internal Controls Over Court Clerk Receipting and Disbursement Processes

Condition: Upon inquiry of the Court Clerk and her staff, and the observation of records, we noted the following weaknesses with regard to the receipting process, and the disbursement process of the Court Fund and the Court Clerk Revolving Fund:

- All employees operate from one cash drawer.
- One employee issuing receipts is also responsible for balancing cash and checks to receipts, preparing the deposit slip, and delivering the deposit to the County Treasurer.
- One employee of the Court Clerk's office is responsible for preparing Court Fund claims, printing and signing Court Fund vouchers, registering vouchers with the County Treasurer, distributing vouchers to claimants, and reconciling the Court Fund Monthly Report with the County Treasurer.
- The audit of 25 Court Fund claims, revealed claim #144 in the amount of \$702.22 was not approved by the Governing Board of the Court.
- One employee of the Court Clerk's office is responsible for preparing Court Clerk Revolving Fund claims, distributing vouchers to claimants, and reconciling the Court Clerk Revolving Fund Quarterly Reports with the County Treasurer.

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

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

**TEXAS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Recommendation: OSAI recommends the duties of issuing receipts, balancing the cash drawer, preparing the daily deposit, and delivering the deposit to the County Treasurer's office be performed by employees independent of each process. Further, we recommend that all employees issuing receipts operate from separate cash drawers.

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

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

Further, it is recommended that a review process be initiated in any area that may allow for a single person to have more than one job responsibility. OSAI recommends the Court Clerk design and implement procedures to ensure that supporting documentation be maintained to provide evidence of any review process put into place and that supporting documentation be initial and dated.

Management Response: The Court Clerk will work towards the design and implementation of separating the duties over the cash receipting process, and the disbursement process through Court Fund and Court Clerk Revolving Fund claims.

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 of disbursements should be segregated. 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.

Finding: 2011-10—Inadequate Internal Controls and Noncompliance Over the Inmate Trust Fund

Condition: Upon inquiry of County Sheriff personnel and observation of the recordkeeping process over the Inmate Trust Fund, the following weaknesses were noted:

- The Jail Administrator receives cashier's checks from the mail for Inmate Trust accounts, issues receipts, and posts to the Inmate Trust accounts and the Sheriff balances the cash drawer at the end of the shift.
- Inmate funds received are not deposited at the local financial institution on a daily basis.
- The audit of all checks issued from the Inmate Trust Fund, revealed 13 checks totaling \$4,937.35 that were issued to payees not authorized by statute, such as a local church and the bail bondsman.

**TEXAS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Cause of Condition: Procedures have not been designed and implemented to ensure that controls are in place with regard to Inmate Trust Fund financial operations. In order to expedite the payment of bills and court costs, the Sheriff paid amounts from the Inmate Trust Fund instead of transferring the proceeds from the inmate sales to the Sheriff Commissary Fund.

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

Recommendation: OSAI recommends management be aware of these conditions and determine how to properly segregate duties. OSAI recommends implementing compensating procedures to mitigate the risks involved with a concentration of duties. Compensating procedures would include separating key processes and/or critical functions of the office, and having management review and approve the accounting functions. The duties of issuing receipts upon the receiving of money, posting to inmate ledgers, preparing the daily deposit, and delivering the deposit to the financial institution should be performed by separate individuals.

Further, OSAI recommends that the County Sheriff comply with 19 O.S. § 682 which requires all funds received under the color of office be deposited on a daily basis and 19 O.S. § 531(A) which states “The County Sheriff shall deposit all monies collected from inmates incarcerated in the county jail into this checking account and may write checks to the Sheriff’s Commissary Account for purchases made by the inmate during his or her incarceration and to the inmate from unencumbered balances due the inmate upon his or her discharge.”

Management Response: The County Sheriff will place an emphasis on depositing Inmate Trust funds at the financial institution on a daily basis. Further, the County Sheriff will implement procedures to ensure disbursements of inmate funds follow the state statute.

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.

Further, implementing internal controls over the Inmate Trust Fund should be the goal of management to ensure compliance with 19 O.S. § 682, which requires all funds received under the color of office be deposited on a daily basis and 19 O.S. § 531(A), which authorizes the County Sheriff to issue checks to the Sheriff Commissary Fund and to the inmate upon departure from the jail.

**TEXAS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Finding: 2011-11—Inadequate Internal Controls and Noncompliance Over Fixed Assets Inventories and Consumable Inventories

Condition: Upon inquiry of County personnel and observation of fixed assets inventory records, we noted the following weaknesses:

- The County has not set forth procedures to perform and document an annual physical fixed assets inventory to ensure compliance with 19 O.S. § 178.1 and mark fixed assets with a county identification number in six instances tested.
- The County did not comply with 69 O.S. § 645, which requires equipment to be marked “Property of” the County, in two instances tested.
- When visually verifying the fixed assets from inventory records, the following was noted:

County Assessor:

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

County Clerk:

- Documentation is not maintained of the annual physical fixed assets inventory count.

County Court Clerk:

- Documentation is not maintained of the annual physical fixed assets inventory count.

District 1 County Commissioner:

- Documentation is not maintained of the annual physical fixed assets inventory count.

District 2 County Commissioner:

- An annual physical fixed assets inventory count is not being performed.
- Two of the ten items selected were not properly marked with “Property of Texas County.”

District 3 County Commissioner:

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

County Sheriff:

- Documentation is not maintained of the annual physical fixed assets inventory count.
- Five of the five items selected were not marked with county identification numbers.

County Treasurer:

- An annual physical fixed assets inventory count is not being performed.
- One of the five items selected was not marked with the assigned county identification number.

**TEXAS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

District 1 County Commissioner:

- A monthly physical count of consumable inventory is not performed.

District 2 County Commissioner:

- All consumable inventory items are not posted as received and/or transferred from the yard to stock cards.
- A monthly physical count of consumable inventory is not performed.

District 3 County Commissioner:

- A monthly physical count of consumable inventory is not performed.

Cause of Condition: Policies and procedures have not been designed to ensure compliance with the state statute regarding the identification and accounting of fixed assets and the state statute regarding documenting annual fixed assets verifications. Additionally, procedures have not been designed and implemented to provide for accurate inventory records and the safeguarding of consumable items.

Effect of Condition: When fixed assets are not monitored and equipment is not properly marked with identification numbers and “Property of Texas County,” 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 the County comply with 19 O.S. § 178.1 by maintaining inventory records and by properly marking assets with county identification numbers, and performing and documenting a periodic inventory of fixed assets. The verification should be performed by an individual independent of the fixed asset recordkeeping process. Additionally, OSAI recommends the County comply with 69 O.S. § 645 by designing procedures to ensure that all equipment is properly marked with county identification numbers and “Property of Texas County.”

OSAI also recommends management implement internal controls to ensure compliance with 19 O.S. § 1504A. These procedures would include maintaining an inventory of consumable items received, disbursed, stored, and consumed, filing monthly consumable reports with the County Clerk, and performing a periodic physical count of inventory. Additionally, the key functions of receiving duties and inventory control duties should be performed by separate employees in order to effectively segregate those duties.

The monthly consumable inventory counts should be initialed and dated by the employee performing the physical count and retained to show the operating effectiveness of internal controls implemented by the County Commissioner.

**TEXAS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Management Response:

County Assessor: The County Assessor will implement procedures to physically count fixed assets on an annual basis along with signing and dating the review. The signed documentation will be retained by the County Assessor.

County Clerk: The County Clerk will maintain documentation of the physical count of fixed assets performed on an annual basis and will sign and date the review.

County Court Clerk: The Court Clerk will maintain documentation of the physical count of fixed assets performed on an annual basis and will sign and date the review. The signed documentation will also be filed with the County Clerk.

District 1 County Commissioner: The County Commissioner will retain supporting documentation of the annual physical count of fixed assets. The County Commissioner will implement the performance of and a separation of duties over monthly physical counts of consumable inventory items along with signing and dating the reviews, and retaining supporting documentation.

District 2 County Commissioner: The County Commissioner is in the process of marking equipment with "Property of Texas County" and county identification numbers. The County Commissioner will implement the performance of and a segregation of duties over the annual physical counts of fixed assets and monthly physical counts of consumable inventory items along with signing and dating the reviews, and retain the supporting documentation.

District 3 County Commissioner: The County Commissioner will implement the performance of and a separation of duties over the annual physical counts of fixed assets and monthly physical counts of consumable inventory items along with signing and dating the reviews, and retain the supporting documentation.

County Sheriff: The County Sheriff will implement procedures to physically review fixed assets on an annual basis along with signing and dating the review. The signed documentation will be retained by the County Sheriff and also filed with the County Clerk. The Sheriff's department is in progress of ensuring all equipment is located and marked with identification numbers.

County Treasurer: The County Treasurer will implement procedures to physically count fixed assets on an annual basis along with signing and dating the review. The signed documentation will be retained by the County Treasurer.

Criteria: An important aspect of internal controls is the safeguarding of assets. Internal controls 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 acquisition, use or disposition of fixed assets, and safeguarding consumable items from loss, damage, or misappropriation.



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