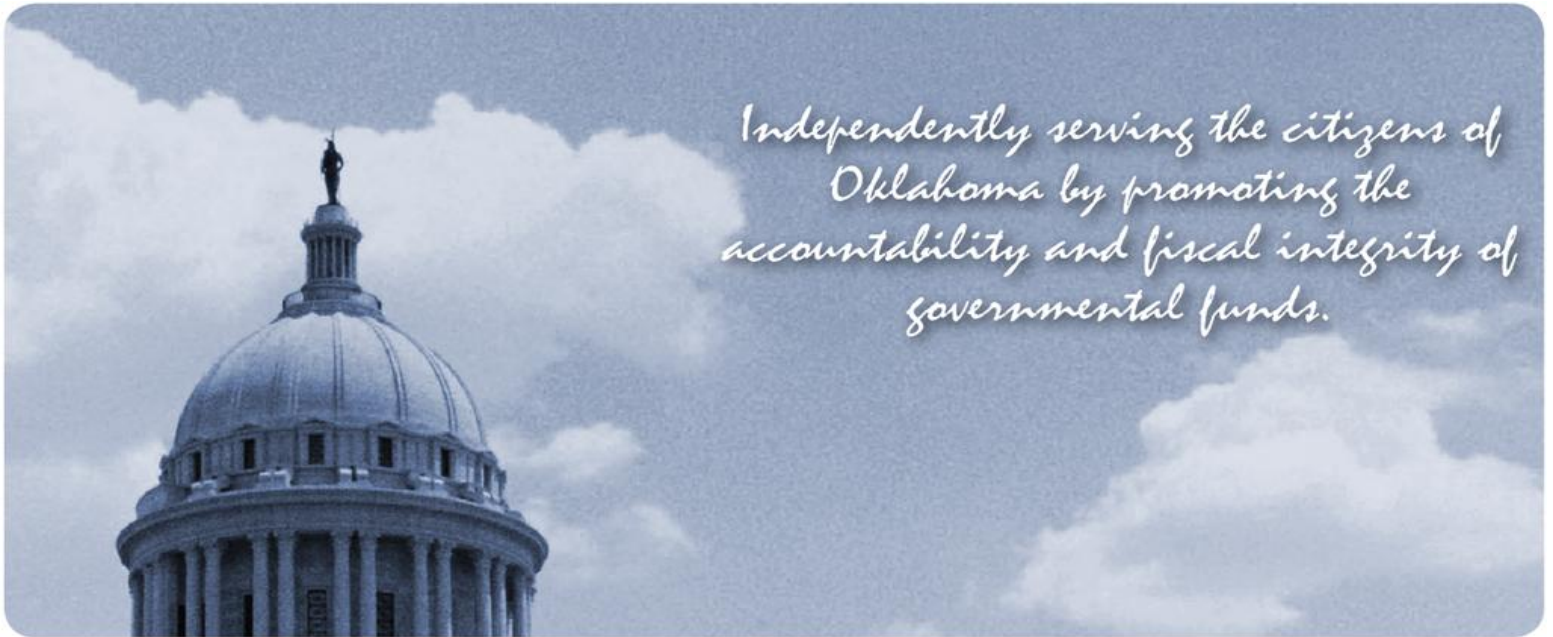


OPERATIONAL AUDIT

TEXAS COUNTY

For the fiscal year ended June 30, 2015



*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 OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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



Oklahoma State Auditor & Inspector

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

January 27, 2016

**TO THE CITIZENS OF
FUSION COUNTY, OKLAHOMA**

Transmitted herewith is the audit report of Texas County for the fiscal year ended, June 30, 2015.

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", with a long, sweeping horizontal line extending to the right.

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

**TEXAS COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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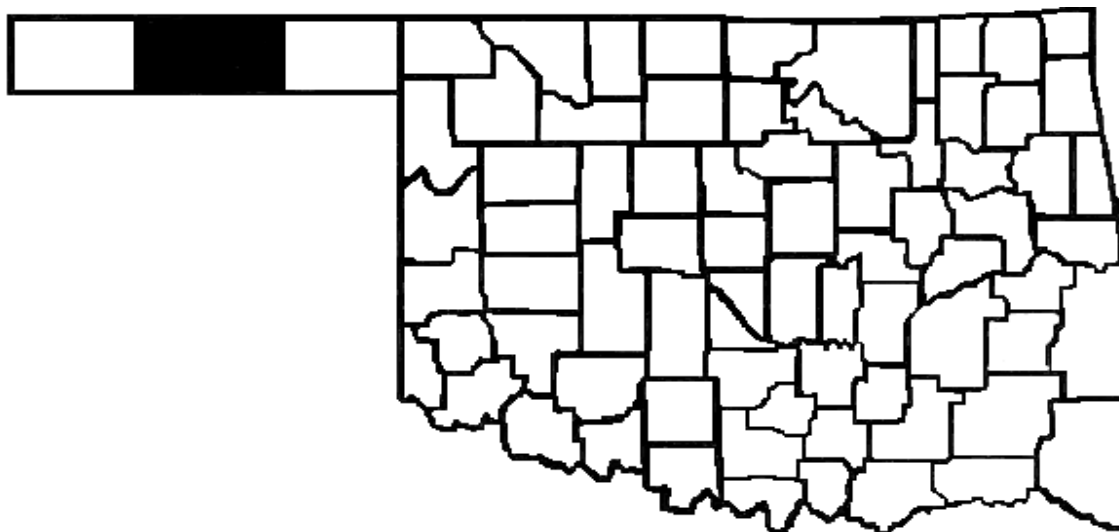
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**TEXAS COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**



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. 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 580/338-3141.

County Seat – Guymon

Area – 2,048.81 Square Miles

County Population – 21,853
(2014 est.)

Farms – 1,024

Land in Farms – 1,286,834 Acres

Primary Source: Oklahoma Almanac 2015-2016

Board of County Commissioners

District 1 – Ted Keeling
District 2 – Richard Bryan
District 3 – Jack Strain

County Assessor

Judyth Lea Campbell

County Clerk

Wendy Johnson

County Sheriff

Rick Caddell

County Treasurer

Lavena M. Chastine

Court Clerk

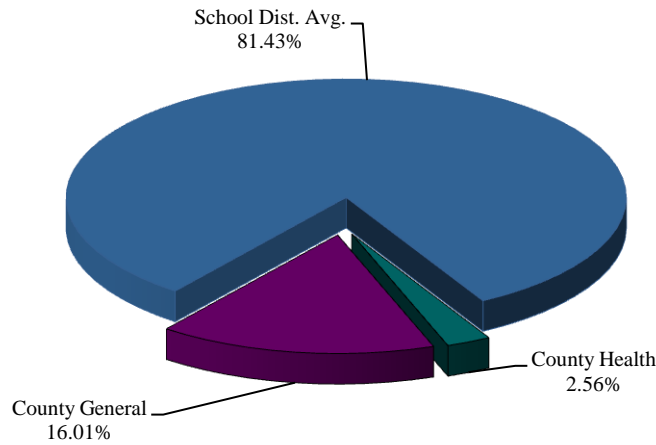
M. Renee Ellis

District Attorney

James M. Boring

**TEXAS COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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.	Cities & Towns Skg.	Common	Total
County General	10.00								
County Health	1.60	Yarborough	I-1	35.00	5.00	7.27	-	4.00	51.27
		Guymon	I-8	35.00	5.00	4.45	-	4.00	48.45
		Optima	I-9	35.00	5.00	-	-	4.00	44.00
		Hardesty	I-15	35.00	5.00	2.98	-	4.00	46.98
		Hooker	I-23	35.00	5.00	-	-	4.00	44.00
		Tyrone	I-53	35.00	5.00	13.87	-	4.00	57.87
		Goodwell	I-60	35.00	5.00	6.18	11.12	4.00	61.30
		Texhoma	I-61	35.00	5.00	26.88	-	4.00	70.88
		Straight	I-80	35.00	5.00	-	-	4.00	44.00
		Cimmarron Co	JT-11	35.00	5.00	-	-	4.00	44.00
		Beaver Co	JT-128	35.00	5.00	2.74	-	4.00	46.74

**TEXAS COUNTY, OKLAHOMA
SALES TAX DISTRIBUTION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

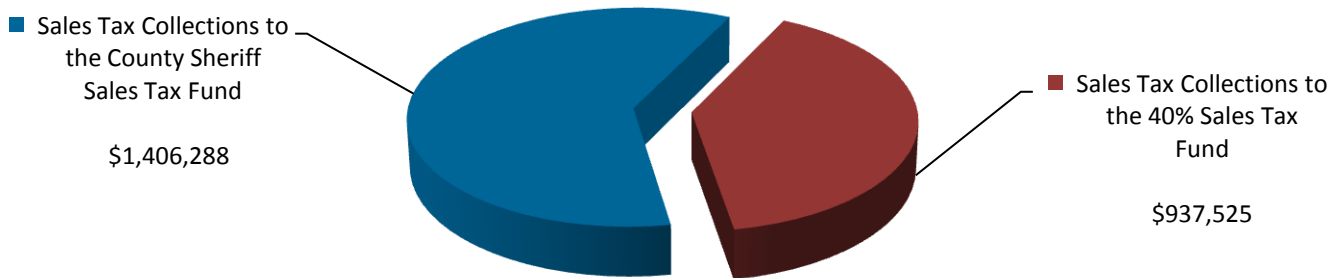
Sales Tax

Sales Tax of August 1, 1994

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 collections continued on August 1, 2009 and 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.

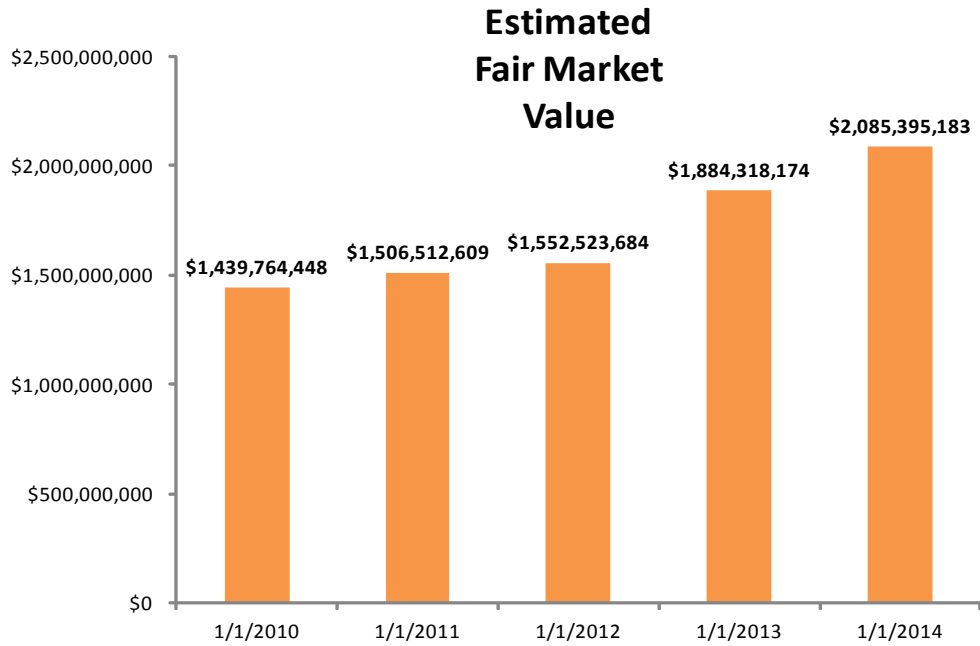
Distribution of the sales tax is 60% to the County Sheriff Sales Tax Fund and 40% to the Sales Tax Fund for assistance to the Texas County Memorial Hospital, Rural Emergency Service Departments including fire, ambulance, and 911 services, Texas County Free Fair, and Texas County Detention Center, including 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.

During the fiscal year, the County collected \$2,343,813 in sales tax collections.



**TEXAS COUNTY, OKLAHOMA
 ASSESSED VALUE OF PROPERTY
 TREND ANALYSIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

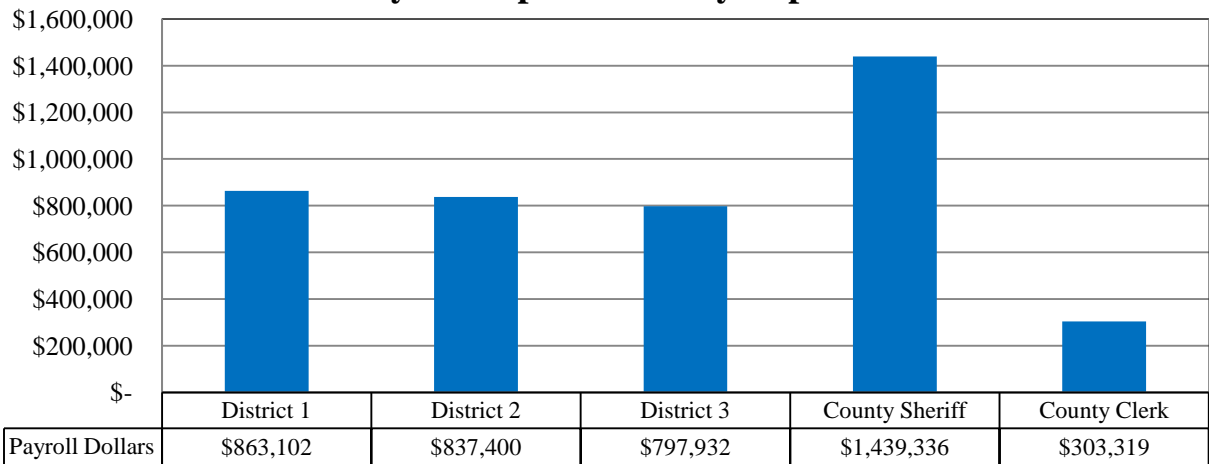
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2014	\$124,983,014	\$21,854,666	\$133,684,633	\$3,847,260	\$276,675,053	\$2,085,395,183
1/1/2013	\$120,785,443	\$20,600,466	\$112,455,742	\$3,824,512	\$250,017,139	\$1,884,318,174
1/1/2012	\$86,731,778	\$20,388,619	\$103,496,649	\$3,418,006	\$207,199,040	\$1,552,523,684
1/1/2011	\$81,813,410	\$19,536,244	\$102,918,517	\$3,336,909	\$200,931,262	\$1,506,512,609
1/1/2010	\$74,879,364	\$19,682,841	\$101,091,899	\$3,391,193	\$192,262,911	\$1,439,764,448



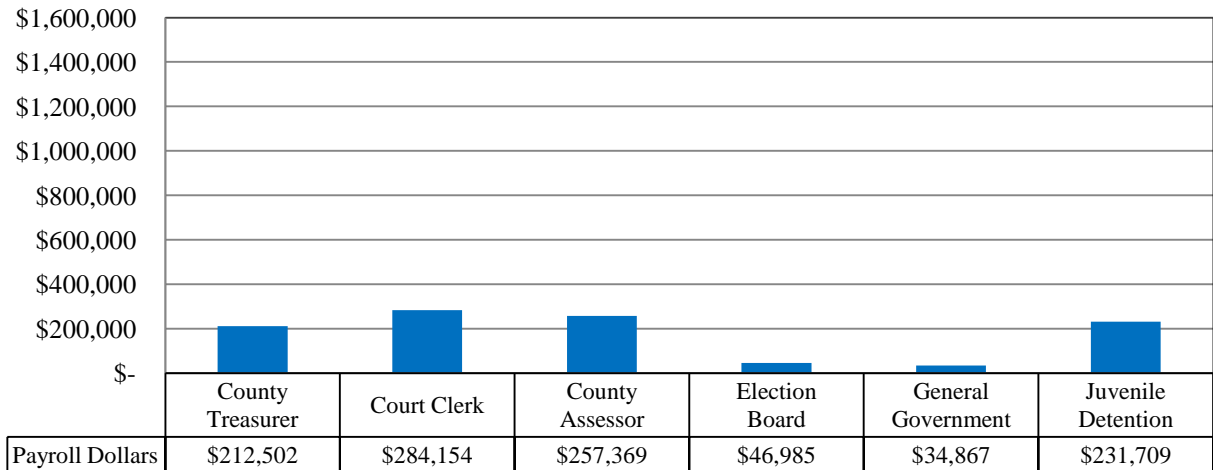
**TEXAS COUNTY, OKLAHOMA
COUNTY PAYROLL EXPENDITURES ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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, 2015.

Payroll Expenditures by Department



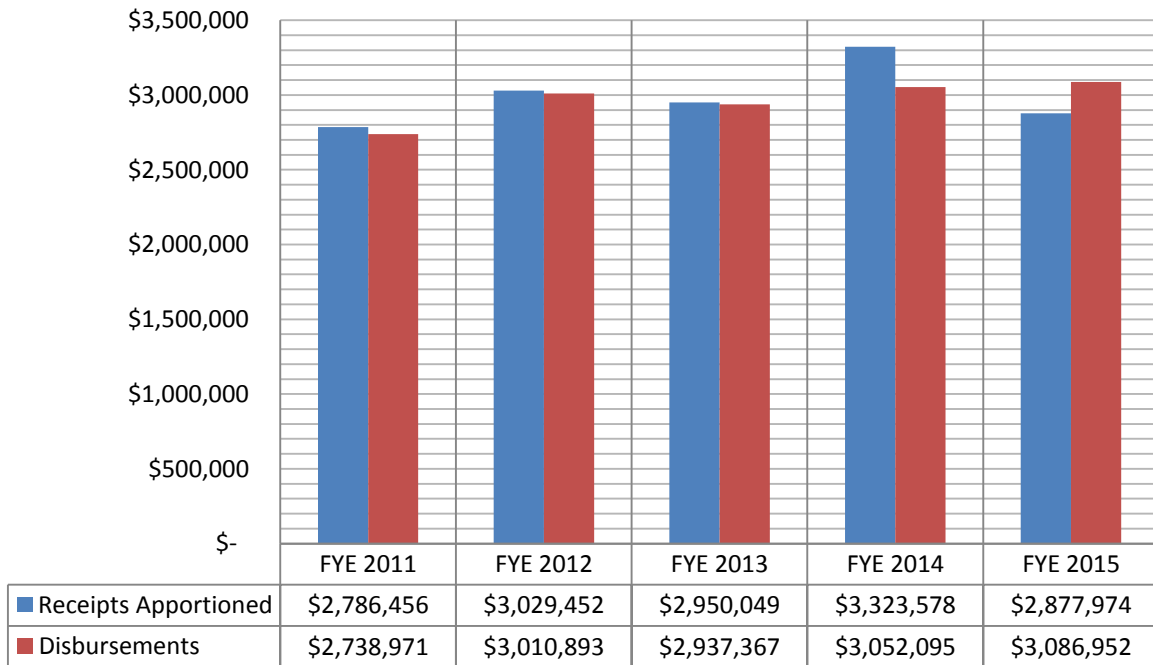
Payroll Expenditures by Department



**TEXAS COUNTY, OKLAHOMA
COUNTY GENERAL FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

County General Fund

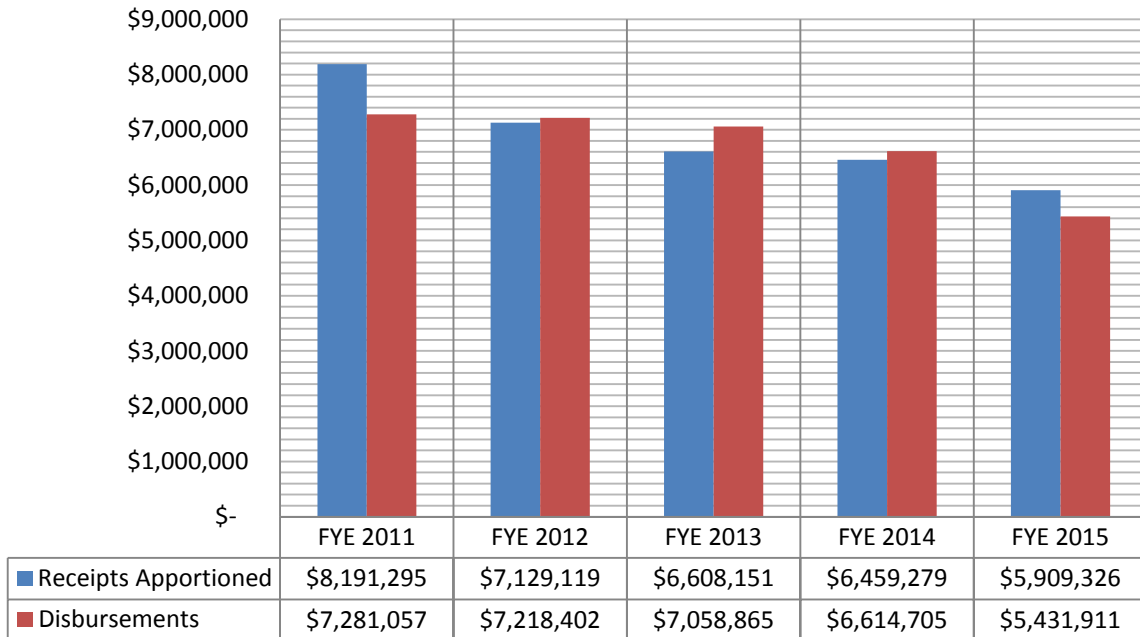
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also 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, 2015**

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.



**TEXAS COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED, JUNE 30, 2015**

Presentation of Apportionments, Disbursements, and Cash Balances of County Funds for Fiscal Year Ending June 30, 2015

	Beginning Cash Balances July 1, 2013	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2014
Combining Information:				
Major Funds:				
County General Fund	\$ 5,078,039	\$ 2,877,974	\$ 3,086,952	\$ 4,869,061
County Highway Cash	6,309,904	5,909,326	5,431,911	6,787,319
County Health Department	452,185	481,175	379,080	554,280
Sheriff Sales Tax	630,008	1,425,687	1,342,447	713,248
State Criminal Alien Assistance Program Grant	58,198	-	22,787	35,411
County Sales Tax Proceeds	2,529,430	-	-	2,529,430
40% Sales Tax	1,368,362	943,965	237,339	2,074,988
Grant Account	183,823	35,000	123,495	95,328
County Commissioner Reward Fund	869	198	-	1,067
Resale Property	170,608	161,613	51,385	280,836
Treasurer Mortgage Tax Certification Fee	19,267	2,705	-	21,972
County Clerk Lien Fee	152,987	39,364	11,849	180,502
County Clerk Records Preservation Fee	156,378	22,225	130,322	48,281
Sheriff Service Fee	1,072,398	528,249	447,400	1,153,247
Sheriff Special Revenue	84,347	94,524	30,516	148,355
Sheriff Commissary	85,553	60,417	81,897	64,073
Sheriff Training	844	-	-	844
Juvenile Detention	120,550	403,365	372,030	151,885
Assessor Revolving Fee	12,798	3,766	5,392	11,172
Assessor Visual Inspection	412	-	-	412
Assessor Equipment Upgrade	101	-	-	101
Activity Center/Free Fair	25,517	29,361	32,729	22,149
Local Emergency Planning Committee	52,329	6,000	19,891	38,438
ACCO Safety Awards	1,001	-	-	1,001
County Building	241,732	845	-	242,577
Sinking Fund	5	-	-	5
Combined Total - All County Funds	\$ 18,807,645	\$ 13,025,759	\$ 11,807,422	\$ 20,025,982

Source: County Treasurer's Monthly Reports (presented for informational purposes)

**TEXAS COUNTY
DESCRIPTION OF COUNTY FUNDS
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED, JUNE 30, 2015**

Description of County Funds

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.

County Sales Tax Proceeds – accounts for the collection of sales tax monies to be 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.

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.

**TEXAS COUNTY
DESCRIPTION OF COUNTY FUNDS
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED, JUNE 30, 2015**

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.

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 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 grant receipts to be used to update equipment in the Assessor’s office.

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 Committee – 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 a state-wide safety award from the Association of County Commissioners of Oklahoma to be disbursed to employees of Texas County qualifying for the award.

**TEXAS COUNTY
DESCRIPTION OF COUNTY FUNDS
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED, JUNE 30, 2015**

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.

TEXAS COUNTY, OKLAHOMA
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
COUNTY GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 5,078,039	\$ 5,078,039	\$ -
Less: Prior Year Outstanding Warrants	(100,294)	(100,294)	-
Less: Prior Year Encumbrances	(132,566)	(106,960)	25,606
Beginning Cash Balances, Budgetary Basis	<u>4,845,179</u>	<u>4,870,785</u>	<u>25,606</u>
Receipts:			
Ad Valorem Taxes	2,306,858	2,168,572	(138,286)
Charges for Services	79,777	85,978	6,201
Intergovernmental Revenues	603,848	598,653	(5,195)
Miscellaneous Revenues	41,318	24,771	(16,547)
Total Receipts, Budgetary Basis	<u>3,031,801</u>	<u>2,877,974</u>	<u>(153,827)</u>
Expenditures:			
District Attorney - County	13,000	10,490	2,510
County Sheriff	551,418	520,794	30,624
County Treasurer	248,209	236,408	11,801
County Commissioners	175,699	174,265	1,434
County Commissioners OSU Extension	95,041	29,962	65,079
County Clerk	367,620	336,692	30,928
Court Clerk	137,269	133,205	4,064
County Assessor	195,047	193,442	1,605
Revaluation	241,453	234,160	7,293
Juvenile Shelter Bureau	103,000	31,524	71,476
District Court	1,000	999	1
General Government	976,218	176,222	799,996
Excise Equalization	5,200	2,476	2,724
County Election Board	67,877	56,264	11,613
Insurance - Benefits	1,603,600	724,809	878,791
Charity	11,000	5,069	5,931
Fire Fighting Services	110,000	100,092	9,908
Civil Defense	70,756	67,188	3,568
Highway Budget Account	16,298	10,113	6,185
County Audit Budget Accounts	43,625	1,974	41,651
Free Fair Budget Account	51,056	50,148	908
Library Budget Account	2,000	1,000	1,000
County Hospital Budget Accounts	87,588	87,588	-
Building Maintenance Account	2,703,006	19,479	2,683,527
Total Expenditures, Budgetary Basis	<u>7,876,980</u>	<u>3,204,363</u>	<u>4,672,617</u>

Source: County Estimate of Needs (presented for informational purposes)

**TEXAS COUNTY, OKLAHOMA
 COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
 CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
 COUNTY GENERAL FUND - CONTINUED
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	General Fund		
	Budget	Actual	Variance
Continued from previous page			
Excess of Receipts and Beginning Cash			
Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	4,544,396	<u>\$ 4,544,396</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Estopped Warrant		22	
Add: Current Year Outstanding Warrants		131,472	
Add: Current Year Encumbrances		<u>193,171</u>	
Ending Cash Balance		<u>\$ 4,869,061</u>	

**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, 2015**

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 451,434	\$ 452,185	\$ 751
Less: Prior Year Outstanding Warrants	(31,018)	(31,018)	-
Less: Prior Year Encumbrances	(15,350)	(10,598)	4,752
Beginning Cash Balances, Budgetary Basis	405,066	410,569	5,503
Receipts:			
Ad Valorem Taxes	369,097	346,933	(22,164)
Charges for Services	220,782	132,011	(88,771)
Intergovernmental Revenues	-	1,896	1,896
Miscellaneous Revenues		335	335
Total Receipts, Budgetary Basis	589,879	481,175	(108,704)
Expenditures:			
County Health Budget Account	994,945	383,666	611,279
Total Expenditures, Budgetary Basis	994,945	383,666	611,279
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis		508,078	\$ 508,078
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		42,361	
Add: Current Year Outstanding Warrants		3,841	
Ending Cash Balance		\$ 554,280	

Source: County Estimate of Needs (presented for informational purposes)

**TEXAS COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

PURPOSE, SCOPE, AND SAMPLE METHODOLOGY

This audit was conducted in response to 19 O.S. § 171, which requires the State Auditor and Inspector's Office to audit the books and accounts of county officers.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In planning and conducting our audit, we focused on the major financial related areas of operations based on assessment of materiality and risk for the fiscal year ended June 30, 2015. Our audit procedures included:

- Inquiries of appropriate personnel,
- Inspections of documents and records,
- Observations of the County's operations,
- Reconciling total apportionments, disbursements, and balances presented on the County's Presentation of Apportionments, Disbursements, and Cash Balances of County Funds for the fiscal year to the County Treasurer's and County Clerk's financial ledgers,
- Confirming third party confirmations to the financial ledgers, and
- Selecting representative samples to determine disbursements were made in accordance with state statutes, approved ballots, and county purchasing procedures.
- Gaining an understanding of the County's internal controls as it relates to each audit objective.

To ensure the samples were representative of the population and provided sufficient, appropriate evidence, both random sample and judgmental sample methodologies were used. We identified specific attributes for testing each of the samples and when appropriate, we projected our results to the population.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, errors or fraud may occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

This report is 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.

Objective 1: To determine the receipts apportioned, disbursements, and cash balances are accurately presented on the County Treasurer's monthly reports for FY 2015.

Conclusion: With respect to the items reconciled and reviewed; the receipts apportioned, disbursements, and cash balances are accurately presented on the County Treasurer's monthly reports; however, we noted certain internal control weaknesses over the collection process and monitoring pledged collateral that should be strengthened.

FINDINGS AND RECOMMENDATIONS

Finding 2015-1—Inadequate Segregation of Duties and Internal Controls Over the Collection Process (Repeat Finding)

Condition: Upon inquiry of the County Treasurer's staff, and observation of records, we determined that there are inadequate internal controls within the office of the County Treasurer as follows:

- All employees in the County Treasurer's office collect revenue and issue receipts and work from one cash drawer.
- The process for accounting for tax statements that are brought to the office of the County Treasurer, 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, the type of payment (check or cash), and return the tax statement 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.
- The process for accounting for tax statements mailed to the County Treasurer is a tax statement is printed for each payment 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 validates the bottom portion of the tax statement.
- 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.
- Tax payments may not be posted to the computer system for up to a month after collection during the busy tax season.
- These collections are not deposited in the bank, but remain in the County Treasurer's office until they are posted.
- There is no policy regarding voided receipts.
- The County Treasurer's monthly reports are not reviewed for accuracy.
- Official Depository deposits are maintained in an unsecured location in the County Treasurer's office.

**TEXAS COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

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: The Oklahoma State Auditor & Inspector (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. We additionally recommend the following internal controls be implemented:

- deputies and County Treasurer be provided separate cash drawers for the collection of funds,
- voided receipts be reviewed by someone other than the preparer,
- monthly reports be reviewed by someone other than the preparer, and
- Official Depository deposits are safeguarded prior to being taken to the bank.

Management Response:

County Treasurer: The office is implementing the recommended changes:

- to work from more than one cash drawer,
- to discontinue manual receipting process of ad valorem tax collections,
- to post tax collections to the tax software system and issue a computer generated receipt,
- to generate receipt for the taxpayer at the time of collection,
- to have another person approve voids to make sure they are valid,
- to have another person review monthly reports for accuracy, and
- to maintain Official Depository deposits in a secure location.

Criteria: Effective internal controls require that key functions within a process be adequately segregated to allow for prevention and detection of errors and possible misappropriation of funds. Further, assets should be safeguarded against loss and/or theft.

Finding 2015-2—Inadequate Internal Controls Over Monitoring Pledged Collateral (Repeat Finding)

Condition: During our review and test of pledged collateral, it was noted that the County Treasurer does not monitor pledged collateral amounts to daily bank balances to ensure that County funds are adequately secured.

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Cause of Condition: Policies and procedures with regard to the daily monitoring of pledged collateral have not been designed nor implemented.

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

Recommendation: OSAI recommends that the County Treasurer implement a system of procedures and evidence of monitoring pledged collateral amounts to bank balances on a daily basis to ensure that County funds are adequately secured.

Management Response:

County Treasurer: The office is implementing procedures to daily monitor pledged collateral to ensure that County funds are adequately secured.

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

Objective 2: To determine the County's financial operations complied with 68 O.S. § 1370E, which requires the sales tax collections to be deposited in the general revenue or Sales Tax Revolving Fund of the County and be used only for the purpose for which such sales tax was designated.

Conclusion: With respect to the items tested, the County complied with 68 O.S. § 1370E, which requires the sales tax collections to be deposited in the general revenue or Sales Tax Revolving Fund of the County and be used only for the purpose for which such sales tax was designated; however, internal controls over the apportionment and authorization for the sales tax should be strengthened.

FINDINGS AND RECOMMENDATIONS

Finding 2015-3—Inadequate Internal Controls Over Sales Tax Apportionments and Disbursements (Repeat Finding)

Condition: Based upon inquiry of County officials and observation of documentation, we noted the following:

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- There is no independent oversight of the calculation of sales tax collections that is presented for appropriation by the County Treasurer to the County Clerk.
- The County Clerk’s office was not aware of the Sales Tax Resolution that authorizes appropriate sales tax fund expenditures.

Cause of Condition: Policies and procedures have not been designed and implemented with regard to internal controls over all aspects of the sales tax apportionment and disbursement process due to officials being unaware of the need for such policies and procedures.

Effect of Condition: A lack of review over the sales tax apportionment process could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriations of funds not being detected in a timely manner. Being unfamiliar with the authorized expenditures of the Sales Tax Resolution could lead to funds being expended for a purpose not authorized by the Sales Tax Resolution approved by the Board of County Commissioners.

Recommendation: OSAI recommends management be aware of these conditions concerning the sales tax apportionment process and provide independent oversight of office operations and a periodic review of operations.

Also, OSAI recommends the County Clerk’s office become familiar with the Sales Tax Resolution to ensure sales tax fund expenditures are for a purpose authorized by the Board of County Commissioners.

Management Response:

County Clerk: We have reviewed the sales tax resolution and are currently aware of it.

County Treasurer: The office has implemented procedures to provide independent oversight over the calculation and apportionment process of sales tax collections.

Criteria: Accountability and stewardship are overall goals of management in accounting of funds. To help ensure a proper accounting of funds, appropriate independent review of collection activity should be performed and documented.

Title 68 O.S. § 1370 E states, “Any sales tax which may be levied by a county shall be designated for a particular purpose...The county shall identify the purpose of the sales tax when it is presented to the voters pursuant to the provisions of subsection A of this section...the proceeds of any sales tax levied by a county shall be deposited in the general revenue or sales tax revolving fund of the county and shall be used only for the purpose for which such sales tax was designated....”

Objective 3: To determine the County’s financial operations complied with 68 O.S. § 2923, which requires the ad valorem tax collections to be apportioned and distributed monthly among the different funds to which they belong.

Conclusion: With respect to the items tested, the County complied with 68 O.S. § 2923, which requires the ad valorem tax collections to be apportioned and distributed monthly among the different funds to which they belong; however, internal controls over the apportionment and authorization for the sales tax should be strengthened.

FINDINGS AND RECOMMENDATIONS

Finding 2015-4—Inadequate Internal Controls Over Ad Valorem Tax Certified Levies (Repeat Finding)

Condition: Certified levies for ad valorem taxes were not verified for accuracy after they were entered into the ad valorem tax system by the Treasurer.

Cause of Condition: Policies and procedures have not been designed to review, document, and retain evidence of procedures performed to ensure ad valorem tax levies are accurately entered into the ad valorem tax system.

Effect of Condition: This condition could result in ad valorem tax collections being incorrectly apportioned and remitted to the entities that receive ad valorem taxes.

Recommendation: OSAI recommends that the County Treasurer implement a system of internal control to provide reasonable assurance that the ad valorem tax levies are entered into the Treasurer’s system accurately and to maintain evidence of these controls.

Management Response:

County Treasurer: The office will, in the future have procedures to review, document, and retain evidence of procedures performed to ensure ad valorem tax levies are accurately entered into the ad valorem tax system.

Criteria: Accountability and stewardship are overall goals in evaluating management’s accounting of funds. To help ensure a proper accounting of funds, an independent review of applied ad valorem levies should be performed.

Objective 4: To determine whether the County’s internal controls provide reasonable assurance that expenditures (including payroll) were accurately reported in the accounting records and financial operations complied with significant laws and regulations.

Conclusion: The County’s internal controls do not provide reasonable assurance that expenditures, including payroll, were accurately reported in the accounting records.

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The County's financial operations did not comply with 19 O.S. § 1505, which requires that disbursements be properly encumbered and supported with adequate documentation.

FINDINGS AND RECOMMENDATIONS

Finding 2015-5—Inadequate Controls and Noncompliance Over the Disbursement Process (Repeat Finding)

Condition: We noted the following weaknesses regarding the payroll and disbursement processes:

- The duties of processing payroll were not adequately segregated. The Payroll Clerk enrolls new hires, makes payroll changes, maintains personnel files, and prepares end of month payroll reports.
- An independent review of the direct deposit amounts to the approved payroll claim was not performed.
- The encumbrance of funds can be accomplished by the three Highway Districts, the Juvenile Detention Center, and the Sheriff's office using remote access into the County Clerk's purchasing software. There were no formal, written policies or procedures regarding security and internal controls over the computer system.
- Purchase orders were entered into the County Clerk's system and funds were encumbered prior to the County Clerk's office receiving signed authorization from the requisitioning officers for the three Highway Districts, the Juvenile Detention Center, and the Sheriff's office.
- The test of forty disbursements indicated the following exceptions:
 - There was one instance noted in which a purchase order was not properly encumbered.

Fund	Office/District	Purchase Order Number	Amount
Assessor Revolving	Assessor	145382	\$4,020.99

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

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

Recommendation: OSAI recommends the county strengthen internal controls over payroll, by having an individual independent of preparing payroll review the direct deposit amounts with the payroll amounts.

OSAI recommends the following key accounting functions over payroll disbursements be adequately segregated:

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- Posting new hires and/or making payroll changes to the payroll system.
- Access to personnel files.
- Preparing state reports and state and federal tax reports.

Further, OSAI recommends the following in accordance with 19 O.S. § 1505A and § 1505E.

- The County Clerk's office should encumber funds for all transactions.
- The County Clerk's office should encumber funds after the encumbrance clerk receives signed authorization from a requisitioning officer.
- County funds should be encumbered prior to the receipt of goods and/or services.
- Adequate documentation to support the expenditure should be obtained prior to approving the purchase order for payment.

Management Response:

District 1: I am willing to change the process to where I fax a copy of the signed requisition to the Clerk's office and the Clerk's office encumbers the funds.

District 2: I will discuss the purchasing procedures with the other officers.

District 3: I will take this finding under consideration and discuss the disbursement process with the other officials.

County Clerk:

- I have hired another employee to help segregate the duties of the payroll process.
- I will start initially and dating the form indicating the review of the direct deposit.
- I will discuss the disbursement process with the other concerned parties and see if a resolution can be reached.

County Assessor: I was not in office when this occurred, but I will be diligent to make sure this does not happen again.

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

All Objectives:

The following finding is not specific to any objective, but is considered significant to all of the audit objectives.

Finding 2015-6—Inadequate County-Wide Controls (Repeat Finding)

Condition: The County has not addressed all of the components of an Internal Control Framework which are the control environment, risk assessment, control activities, information and communication, and monitoring.

Cause of Condition: This condition is a result of the County not being aware of how the process of identifying risk, implementing control activities, communicating pertinent information and monitoring could positively impact the operations and reporting of the County.

Effect of Condition: This condition does not allow the County to function in the most effective manner possible.

Recommendation: OSAI recommends that the County design procedures to document their Internal Control Framework. This documentation should outline the importance of internal controls, the risk that the County has identified, the control activities established to address the risk, the steps to take to properly communicate pertinent information in a timely manner and the methodology to monitor the quality of performance over time.

Management Response:

District 1: I will attend County Officer meetings and work on documenting our internal control framework.

District 2: I will participate in developing a written policy in all aspects of County Wide Controls.

District 3: We need to be more proactive as County Officers and try to recognize some of our deficiencies and try to correct them.

County Clerk: I will attend County Officer meetings and participate in discussions regarding the control environment. I will begin the process of documenting our County-Wide Controls.

County Treasurer: The office has begun to address some components of internal control in the office and will discuss in officers' meetings ways to assess and identify risks in order to design written policies and procedures regarding county-wide controls.

County Sheriff: I am willing to participate in the process of documenting our controls.

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County Assessor: I have done a lot of control activities within my office and I will work on the documentation of these activities. I will bring this documentation to County Officer meetings for discussion.

Court Clerk: I am willing to participate in any discussions of risk management and/or the County Handbook and determine any other areas that may require improvement regarding the implementation of County Wide controls.

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.

REPORT ON STATUTORY COMPLIANCE – OTHER MATTERS



Oklahoma State Auditor & Inspector

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Texas County
Board of County Commissioners
Texas County Courthouse
Guymon, Oklahoma 74738

Dear Chairman:

For the purpose of complying with 19 O.S. § 171 and 20 O.S. § 1312, we have performed statutory procedures regarding the following offices and departments for the fiscal year ended June 30, 2015:

- All County Offices - Fixed Assets procedures (19 O.S. § 178.1 and 69 O.S. § 645).
- All County Offices - Consumable Inventories procedures (19 O.S. § 1502 and 19 O.S. § 1504).
- Court Clerk procedures (20 O.S. § 1304 and 19 O.S. § 220).
- Inmate Trust Fund procedures (19 O.S. § 531 and 19 O.S. § 180.43).

Our statutory compliance engagement was limited to the procedures performed above and was less in scope than an audit performed in accordance with generally accepted auditing standards. Accordingly, we do not express an opinion on any basic financial statement of Texas County.

Based on our procedures performed, we have presented our findings in the accompanying schedule.

This report is intended for the information and use of the management of the County. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

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

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

January 26, 2016

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2015-7—Inadequate Internal Controls Over Court Clerk Receipting and Disbursement Processes (Repeat Finding)

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.
- 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: Policies and 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.

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.

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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: All Employees operate from one cash drawer. This office is not set up in order to have multiple cash drawers. Our office is open so the public can freely walk around inside the office. Having multiple drawers or money bags would be a safety issue for myself, my employees and the general public. Furthermore, we do not have funds budgeted for the additional expense that would be incurred to purchase additional drawers or money bags as well as the beginning cash amount necessary for additional drawers/bags. We have a system that has been working for some years. Each employee is required to write on the receipt the method of payment (check & #, money order & #, cash, etc.), and if paid by cash, the employee writes the exact denominations received and given back as change.

My First Deputy, Willie Wilkinson, was hired some 20 plus years ago as the bookkeeper, and that has been her main job duty. As part of those duties, she has balanced the daily cash drawer, prepared daily deposits, delivered deposits to the County Treasurer, prepared claims *for review* by the appropriate governing board, prepared vouchers *pursuant to the approved claims*, disbursed/mailed vouchers, and at the end of the month reconciled each fund. Even prior to me taking office, she has always been limited to the number of receipts she issues, and I will attempt to limit the number that she issues even more. She usually only issues receipts when deemed necessary to take care of the customers due to an extra busy time, short-staffed, or when executing a passport application. (She is one of the five passport agents within my office.) I have implemented (as of September, 2015) a new procedure for the balancing of the daily cash drawer. The First Deputy will no longer count the cash when preparing the daily deposit. I and one other deputy, (or 2 deputies in my absence) will each count the cash and balance the cash to the daily report, as well as prepare the beginning cash for the next business day. The First Deputy will balance the checks and credit cards to the daily receipts. The cash balanced figures are initialed by each employee on the daily report printed by the First Deputy. The daily deposit will be delivered to the Treasurer's Office by a deputy.

As previously mentioned, Court Fund Claims/Vouchers and Court Clerk Revolving Fund Claims/Vouchers are prepared by the First Deputy/Bookkeeper. The majority of all invoices are seen by me for review before being given to the deputy/bookkeeper for payment. I will begin to document that I reviewed by initialing all invoices upon receipt, and upon my absence any deputy other than my First Deputy/Bookkeeper will receive and initial. In the previous audit in 2013, only a few months into my first term of office, it was suggested that I should initial each voucher and voucher registry upon review of each because my First Deputy/Bookkeeper did handle a majority of the claims/vouchers process. That review process had not been previously documented by initials/signatures. I began at that time and continue to initial each voucher and sign off on the voucher registry upon my review of each and upon comparison with the approved claim. I will begin a new procedure with the distribution of the vouchers. I will have another deputy, other than myself or First Deputy/Bookkeeper, sign off on the distribution of the prepared vouchers to the claimants (the deputy will compare the registry list to the voucher to ensure the voucher is being sent to the correct individual/agency). There may be a time in the future that myself

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or another deputy would be able to reconcile each of these accounts monthly, quarterly, etc., but at the present time the First Deputy/Bookkeeper will continue to reconcile. I feel this is a less risky issue for the office due to the changes made and the new review processes that have been/will be implemented.

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.

Finding 2015-8—Inadequate Internal Controls and Noncompliance Over Inmate Trust Fund Checking Account (Repeat Finding)

Condition: Upon inquiry of County officials and employees, and observation of records in regard to the Inmate Trust Funds the following was noted:

- The Sheriff has access to the lock box, prepares the deposit, takes the deposit to the bank, issues checks, performs the monthly bank reconciliations, and has the ability to make adjustments to the accounting records.
- Inmate Trust Funds are not deposited daily.
- We were unable to reconcile inmate account balances to the Inmate Trust Fund Checking Account bank balance.
- The Sheriff's office does not file an annual report for the Commissary Fund with the Board of County Commissioners by January 15th, of each year.

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 financial operations, and the County Sheriff Annual Commissary Report.

Effect of Condition: These conditions resulted in noncompliance with state statutes. Without proper accounting and safeguarding of the Inmate Trust Fund Checking Account and reporting of the Sheriff Commissary fund, there is an increased risk of misappropriation of funds.

Recommendation: OSAI recommends the inmate's trust fund balances be reconciled to the bank statements for the Inmate Trust Fund Checking Account each month, collection of inmate monies should be deposited daily, and no operating expenditures should be made from this fund.

OSAI recommends the Sheriff include beginning and ending balances, deposits and disbursements of the Sheriff Commissary fund in the Annual Report to the Commissioners.

Furthermore, in the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risk 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.

**TEXAS COUNTY, OKLAHOMA
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Management Response:

County Sheriff:

- I will look into ways to segregate the duties over the Inmate Trust Fund Checking Account.
- The County Sheriff will place an emphasis on depositing inmate trust funds at the financial institution on a daily basis.
- I will contact the software provider to look further into this issue of reconciling the inmate funds to the bank statement.
- We will use the form recommended by the auditor's office for the Annual Commissary Report.

Criteria: Title 19 O.S. § 180.43 provides guidance in accounting for inmate trust monies deposited and expended from the Inmate Trust Fund Checking Account.

Title 19 § 180.43D requires that an annual report of the Sheriff's Commissary be submitted to the Board of County Commissioners by January 15 of the subsequent year. Accountability and stewardship require that financial information be included in the report to provide transparency of operations.

Finding 2015-9—Inadequate Internal Controls and Noncompliance Over Fixed Assets Inventory Records (Repeat Finding)

Condition: Upon inquiry of County officials and employees, and observation of records in regard to the fixed assets, the following was noted:

Treasurer

- Documentation of the annual physical inventory was not maintained.

County Clerk

- Documentation of the annual physical inventory was not maintained.

County Assessor

- Documentation of the annual physical inventory was not maintained.

County Sheriff

- Annual physical inventory is not performed.

Court Clerk

- Annual physical inventory is not performed.

District 1

- Documentation of the annual physical inventory was not maintained.

District 2

- Documentation of the annual physical inventory was not maintained.

District 3

- Documentation of the annual physical inventory was not maintained.

Cause of Condition: Policies and procedures have not been designed and implemented by county officers to document annual fixed assets inventory counts to ensure compliance with state statutes.

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Effect of Condition: Failure to maintain accurate records and perform a periodic physical inventory of assets could result in inaccurate records, unauthorized use of assets, and misappropriation of assets.

Recommendation: OSAI recommends the County implement internal control procedures to ensure the periodic physical verification of fixed assets to inventory records. Additionally, the documentation should be signed and dated by the person performing the audit and retained by the County.

Management Response:

District 1: I do perform a physical inventory of fixed assets and will make sure to maintain documentation for audit evidence.

District 2: I will work on maintaining documentation of our annual physical inventory of fixed assets.

District 3: I realize I have not been doing the documentation of the physical inventory and will endeavor to do a better job in the future.

County Clerk: I will perform a periodic review of inventory of fixed assets and maintain documentation for audit evidence.

County Treasurer: The office will implement procedures to assure that a complete formal fixed asset inventory is performed on an annual basis.

County Sheriff: We are constantly working on completing the inventory and we will maintain documentation for the future.

County Assessor: In the future, I will maintain documentation that an annual physical inventory is performed.

Court Clerk: I believe an inventory was completed in 2013, at the time the audit was performed, which was within the first few months of my first term. Inventory has been completed for 2015, and reminder notes have been added to future calendars to help ensure inventory is completed on an annual basis.

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.

Title 19 O.S. § 178.1 states in part, "... The board of County Commissioners in each county of this state shall take, or cause to be taken, an inventory of all working tools, apparatus, machinery and equipment belonging to the county or lease or otherwise let to it or to any department thereof, other than that which is affixed to and made a part of lands and buildings, the cost of which as to each complete working unit thereof is more than Five Hundred Dollars (\$500.00), and thereafter maintain or cause to be maintained a continuous inventory record... annually thereafter, or oftener..."

Finding 2015-10—Inadequate Internal Controls and Noncompliance Over Consumable Items Inventory (Repeat Finding)

Condition: The observation and test of consumable inventory items for Districts 1, 2 and 3 indicated the following internal control weaknesses and noncompliance:

District 1 Commissioner

- The employee responsible for receiving consumable items also orders goods, maintains stock cards, and prepares transfer documents.
- A periodic review of consumable inventory is not performed.

District 2 Commissioner:

- A periodic review of consumable inventory is not performed.
- A fuel log is maintained; however, the fuel log is not reconciled to the actual fuel on hand.

District 3 Commissioner:

- A periodic review of consumable inventory is performed, but documentation of the review is not maintained.
- Fuel logs are not maintained; therefore, fuel use is not reconciled to the actual fuel on hand.

Cause of Condition: Policies and procedures have not been designed and implemented for the accurate reporting of consumable inventories.

Effect of Condition: When consumable inventory items are not adequately monitored and inadequate segregation of duties exist, the opportunity for misappropriation and undetected errors could result.

Recommendation: OSAI recommends that management implement internal controls to ensure compliance with the state statute regarding consumable inventory.

Management Response:

District 1: I will print up a sheet of consumable inventory quarterly and have it reviewed. I will look at ways to segregate the consumable inventory process.

District 2: We are currently working on establishing a system of maintaining a consumable inventory and reconciling fuel on hand to fuel used.

District 3: I will see that there is adequate documentation in place to provide audit evidence that these items are being done.

Criteria: Effective internal controls include designing and implementing procedures to ensure that all supplies, materials, and equipment received, disbursed, stored and consumed by their department comply with 19 O.S. § 1504A.



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