

FINANCIAL AUDIT

TILLMAN COUNTY

For the fiscal year ended June 30, 2013



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



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

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

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Oklahoma State Auditor & Inspector

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

November 30, 2015

TO THE CITIZENS OF
TILLMAN COUNTY, OKLAHOMA

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

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

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

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

Sincerely,

A handwritten signature in blue ink that reads "Gary A. Jones".

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

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

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

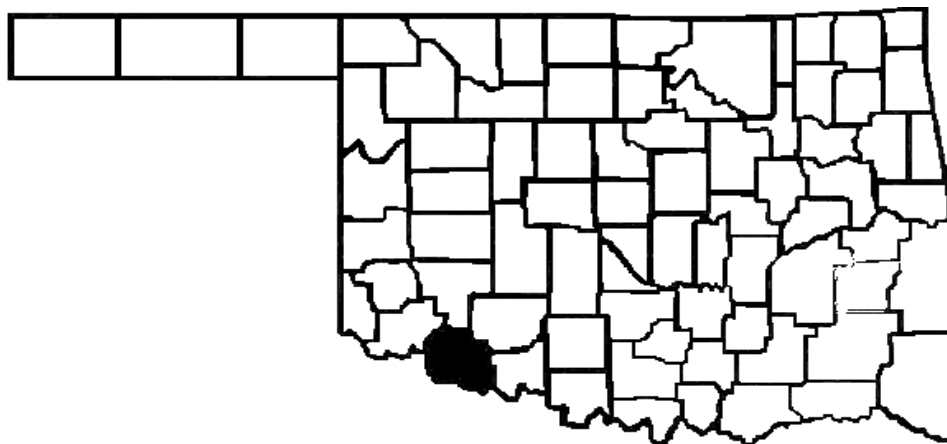
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**TILLMAN COUNTY, OKLAHOMA
STATISTICAL INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**



Bordering Texas at the Red River, part of the county was in Comanche, Kiowa, and Apache grazing lands opened for settlement by lottery June 9, 1901, to August 6, 1901. The southeastern part, in the Big Pasture, was opened by sealed bids in December 1906. These lands became part of Comanche County, Oklahoma Territory, until statehood, when Tillman County was organized and named for South Carolina Senator Benjamin Tillman.

Frederick, the county seat, was named after the son of a Frisco Railway executive who promised to give the city an iron flagpole in return for the honor. Great Plains Technology Center has a campus in Frederick.

Farming, ranching, and dairies illustrate a variety of agricultural interests. The Fredrick Industrial Park has 6,000-foot concrete and asphalt lighted runway and complete refueling services. Frederick's water supply is provided by a 900-acre lake, and the area also has the Tom Steed Reservoir. Just east of Manitou, Deep Red Creek has been dammed to provide water and recreation. The Hackberry Flat Project has restored the area that was drained and farmed for years to provide a wildlife habitat for birds. The Oklahoma Historical Society completed a complex across from the Tillman County Courthouse depicting farm life in the early twentieth century. For more information, call the county clerk's office at 580/335-3421.

County Seat – Frederick

Area – 879.21 Square Miles

County Population – 7,822
(2012 est.)

Farms – 548

Land in Farms – 463,943 Acres

Primary Source: Oklahoma Almanac 2013-2014

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

Board of County Commissioners

District 1 – Jimmie C. Smith
District 2 – Joe Don Dickey
District 3 – Kent Smith

County Assessor

Linda Coleman

County Clerk

Cacy Caldwell

County Sheriff

Bobby Whittington

County Treasurer

Kim Lamb

Court Clerk

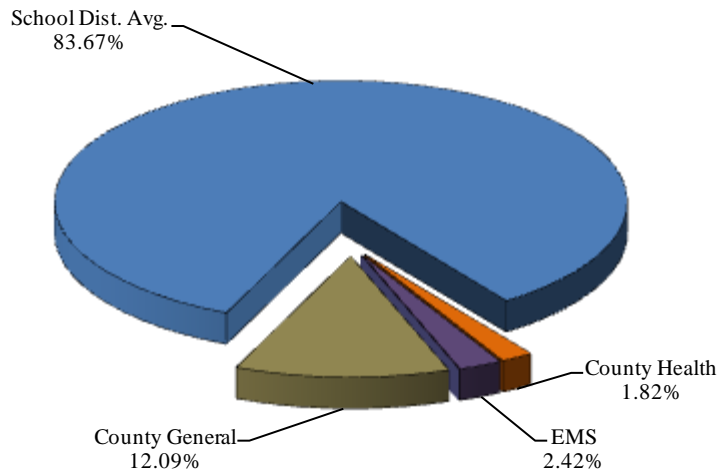
Daralene Kidwell

District Attorney

John Wampler

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

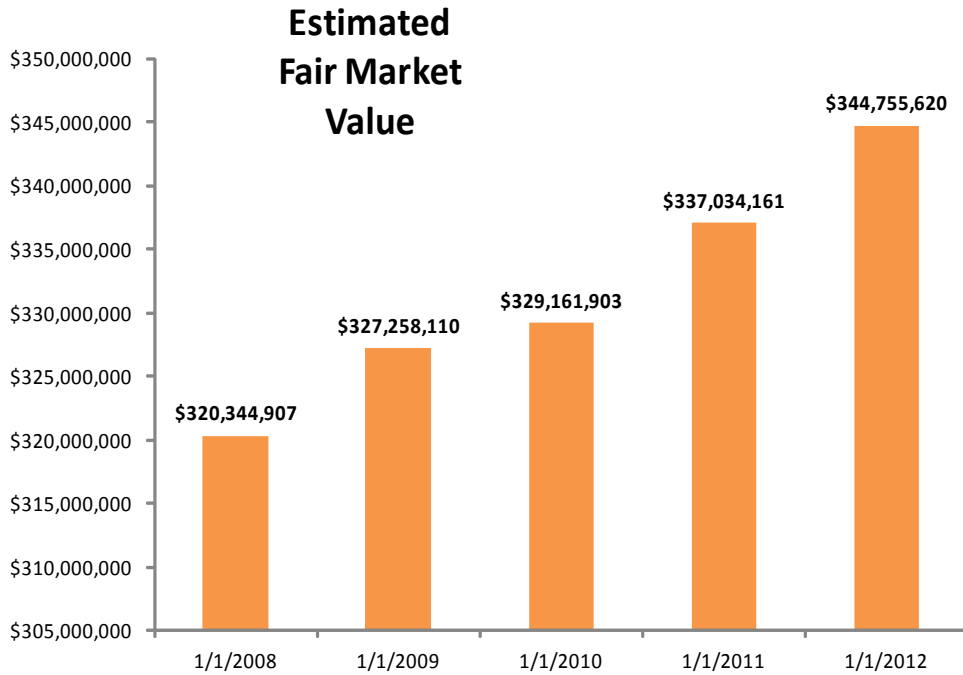
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the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



County-Wide Millages		School District Millages							
				Gen.	Bldg.	Skd.	Career Tech	Common	Total
County General	10.46								
County Health	1.57	Tipton	I-8	36.75	5.25	21.60	14.51	4.19	82.30
EMS	2.09	Davidson	I-9	36.31	5.19	0.00	14.51	4.19	60.20
		Frederick	I-158	36.49	5.21	24.11	14.51	4.19	84.51
		Grandfield	I-249	36.86	5.27	0.00	14.51	4.19	60.83
		Comanche Co.	JT-2	35.94	5.13	14.41	14.51	4.19	74.18
		Kiowa Co.	JT-4	36.60	5.23	0.00	14.51	4.19	60.53
		Comanche Co.	JT132	37.19	5.31	21.98	14.51	4.19	83.18
		Cotton Co.	JT-333	35.17	5.02	14.29	14.51	4.19	73.18

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

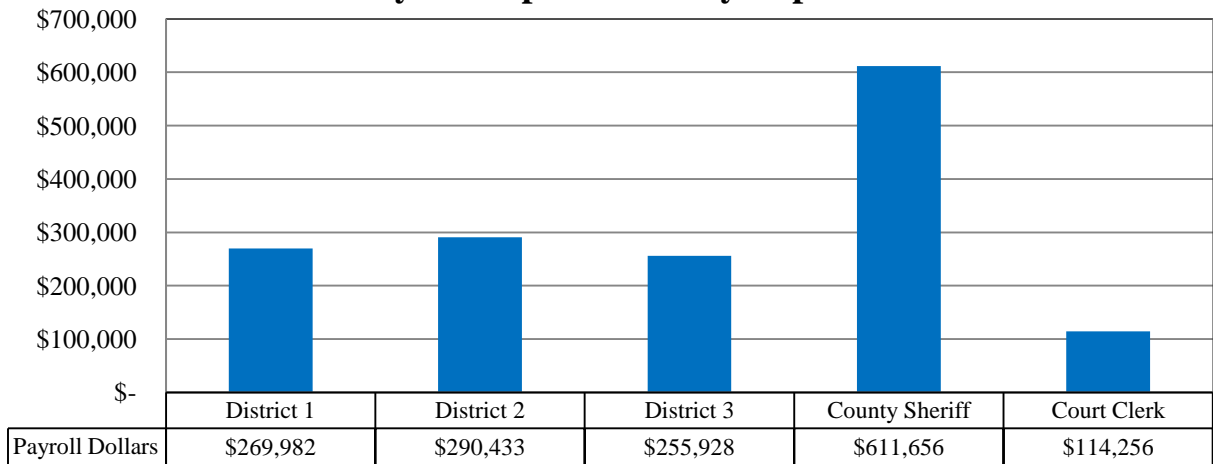
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2012	\$7,512,102	\$5,162,844	\$31,147,232	\$2,237,986	\$41,584,192	\$344,755,620
1/1/2011	\$7,343,687	\$4,968,695	\$30,491,032	\$2,244,575	\$40,558,839	\$337,034,161
1/1/2010	\$7,239,095	\$4,594,037	\$29,847,710	\$2,243,964	\$39,436,878	\$329,161,903
1/1/2009	\$7,295,957	\$4,597,468	\$29,560,591	\$2,257,214	\$39,196,802	\$327,258,110
1/1/2008	\$7,711,077	\$4,471,103	\$28,382,249	\$2,295,628	\$38,268,801	\$320,344,907



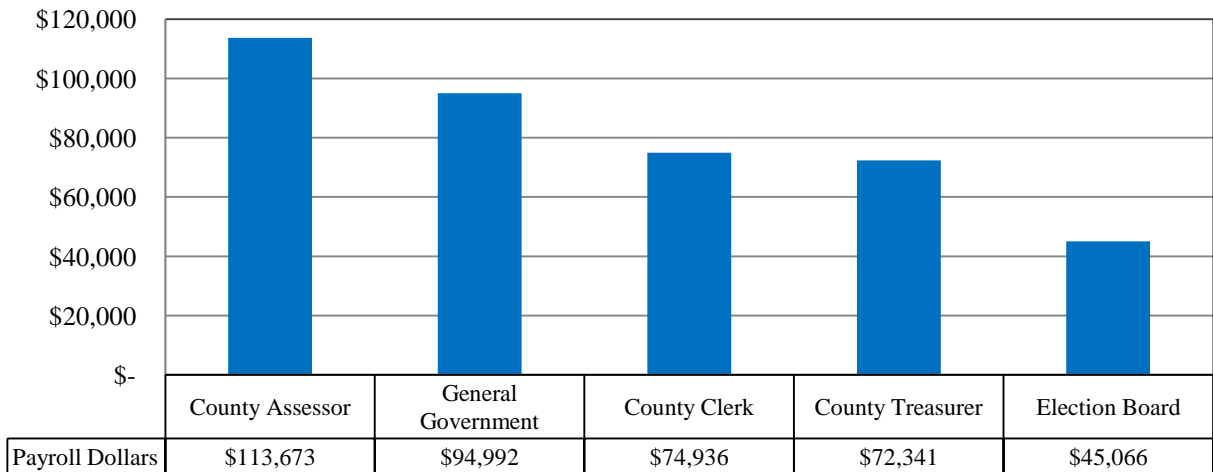
**TILLMAN COUNTY, OKLAHOMA
COUNTY PAYROLL EXPENDITURES ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

Payroll Expenditures by Department



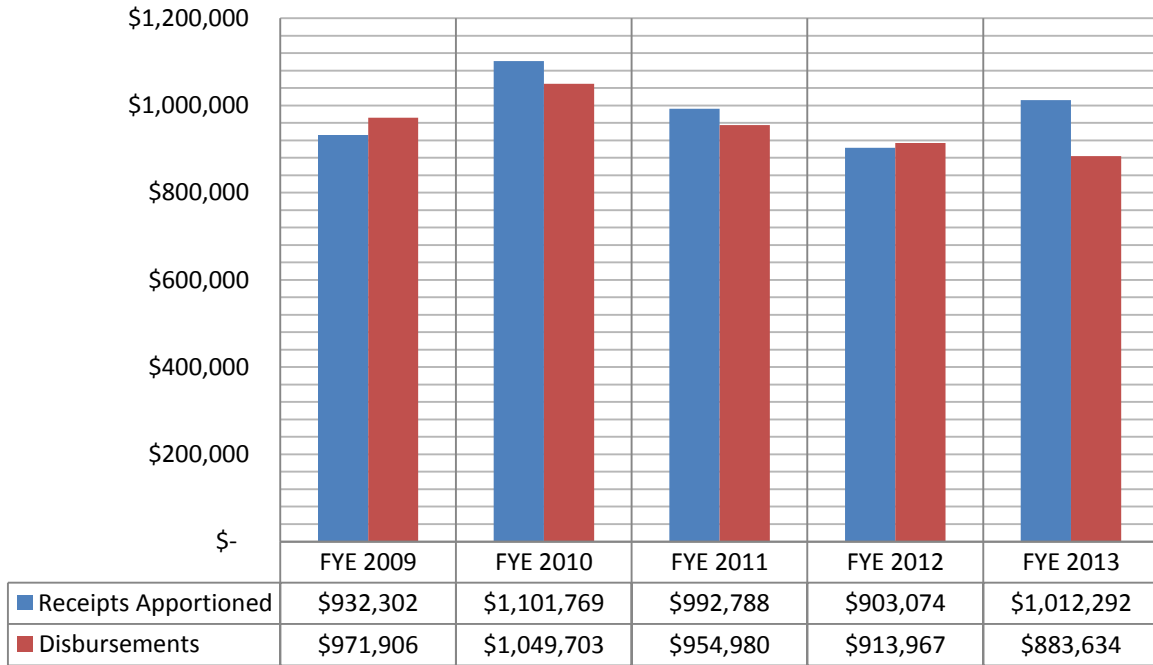
Payroll Expenditures by Department



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

County General Fund

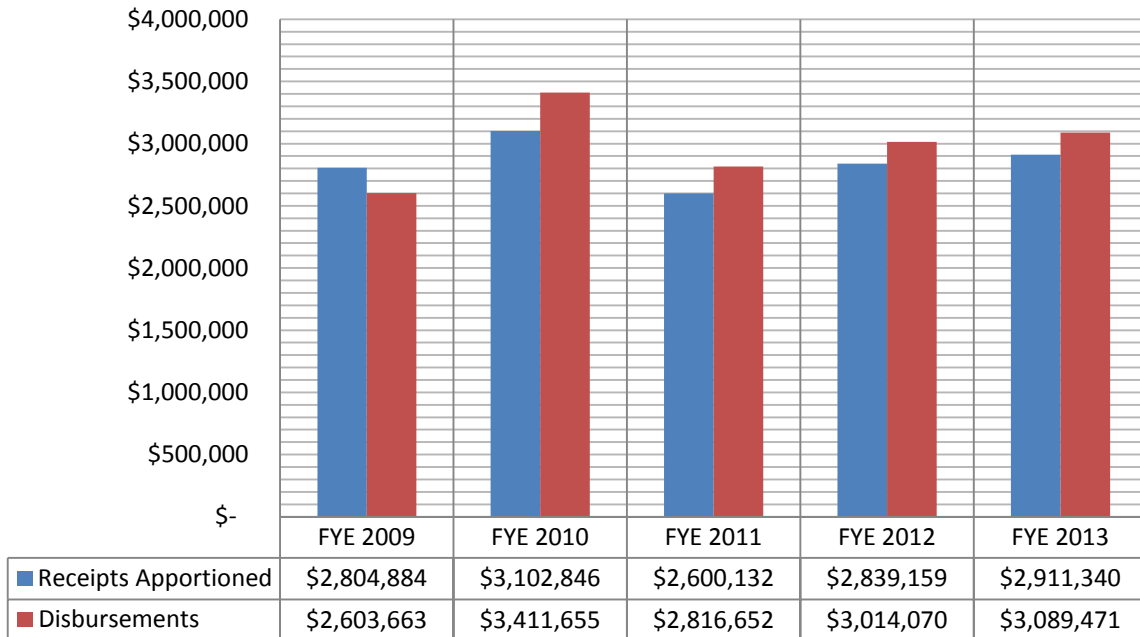
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also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



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

County Highway Fund

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



FINANCIAL SECTION



Oklahoma State Auditor & Inspector

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

Independent Auditor's Report

TO THE OFFICERS OF
TILLMAN COUNTY, OKLAHOMA

Report on the Financial Statement

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

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Opinion on Regulatory Basis of Accounting

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

Other Matters

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2015, on our consideration of Tillman County’s internal control over financial reporting and on our tests

of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and in considering Tillman County's internal control over financial reporting and compliance.

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

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

November 23, 2015

REGULATORY BASIS FINANCIAL STATEMENT

TILLMAN COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS
(WITH COMBINING INFORMATION)—MAJOR FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Beginning Cash Balances July 1, 2012	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2013
Combing Information:						
Major Funds:						
County General Fund	\$ 229,159	\$ 1,012,292	\$ 50,000	\$ 50,000	\$ 883,634	\$ 357,817
County Highway Fund	1,277,653	2,911,340	50,000	50,000	3,089,471	1,099,522
County Health Department	99,423	134,105	-	-	157,642	75,886
Free Fair Sales Tax	23,828	18,500	-	-	15,914	26,414
OSU Extension Sales Tax	60,224	44,401	-	-	51,975	52,650
Law Enforcement Center Sales Tax	2	226,298	-	-	194,098	32,202
Sheriff Department of Corrections	137,703	713,589	-	-	695,785	155,507
County Bridge Road Improvement Fund 105	1,195,886	226,547	-	-	233,533	1,188,900
Dispatch	41,653	200,987	-	-	177,655	64,985
Remaining Aggregate Funds	616,006	388,739	-	-	413,238	591,507
Combined Total - All County Funds	\$ 3,681,537	\$ 5,876,798	\$ 100,000	\$ 100,000	\$ 5,912,945	\$ 3,645,390

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

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

1. Summary of Significant Accounting Policies

A. Reporting Entity

Tillman 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 emergency medical districts, school districts, and cities and towns. The cash receipts and disbursements attributable to those other entities do not appear in funds on the County's financial statement; those funds play no part in the County's operations. Any trust or agency funds maintained by the County are not included in this presentation.

B. Fund Accounting

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

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

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

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

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

Free Fair Sales Tax – accounts for the collection of sales tax monies and disbursements are for the maintenance and operation of the Free Fair.

OSU Extension Sales Tax – accounts for the collection of sales tax monies and disbursements are for the maintenance and operation of the OSU Extension.

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

Law Enforcement Center Sales Tax – accounts for the collection of sales tax monies and disbursements are for the indebtedness of the Law Enforcement Center.

Sheriff Department of Corrections – accounts for state receipts and disbursements for the purpose of maintaining the Department of Corrections inmates.

County Bridge Road Improvement Fund 105 – accounts for state receipts and disbursements for the purpose of maintaining bridges and roads.

Dispatch – accounts for the collection of money from the City of Frederick and the E-911 Account and disbursed for salaries and maintenance and operations of dispatchers.

C. Basis of Accounting

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

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

D. Budget

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

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

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

funds in maintaining its bank accounts. However, cash applicable to a particular fund is readily identifiable on the County's books. The balance in the pooled cash accounts is available to meet current operating requirements.

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

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

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

2. Ad Valorem Tax

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

Taxes are due on November 1 following the levy date, although they may be paid in two equal installments. If the first half is paid prior to January 15, the second half is not delinquent until April 15. Unpaid real property taxes become a lien upon said property on October 1 of each year.

3. Other Information

A. Pension Plan

Plan Description. The County contributes to the Oklahoma Public Employees Retirement Plan (the Plan), a cost-sharing, multiple-employer defined benefit pension plan administered by the Oklahoma Public Employees Retirement System (OPERS). Benefit provisions are established and amended by the Oklahoma Legislature. The Plan provides retirement, disability, and death benefits to Plan members and beneficiaries. Title 74, Sections 901 through 943, as amended, establishes the provisions of the Plan. OPERS issues a publicly available financial report that

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

includes financial statements and supplementary information. That report may be obtained by writing OPERS, P.O. Box 53007, Oklahoma City, Oklahoma 73105 or by calling 1-800-733-9008.

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

B. Other Post Employment Benefits (OPEB)

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

C. Contingent Liabilities

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

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

D. Sales Tax

The voters of Tillman County approved a one percent (1%) sales tax effective August 2002, and will be assessed and collected until repeal by election or other action of law to repeal. The sales tax was established to provide revenue for the support of various entities in the following proportion: OSU Cooperative Extension 12%; Free Fair 5%; County General 63%, and Capital Improvement 20%. These funds are accounted for in OSU Extension Sales Tax, Free Fair Sales Tax, and County General Fund which includes Capital Improvement.

The voters of Tillman County approved a one half of one percent (1/2 of 1%) sales tax effective January 1, 2011 to support the lease payment of the Tillman County Law Enforcement Center. The sales tax will be assessed and collected for the duration of the bonds and said tax will cease upon retirement of the bonds issued by the Tillman County Industrial Authority. These funds are accounted for in the Law Enforcement Center Sales Tax.

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

E. Operating Transfers

During the fiscal year, the County made the following operating transfers between cash funds:

- \$50,000 was transferred to the County General Fund from the County Highway Fund to cover non-payable warrants issued from the County General Fund.
- \$50,000 was transferred from the County General Fund to reimburse the County Highway Fund after adequate ad valorem collections were apportioned to the County General Fund.

OTHER SUPPLEMENTARY INFORMATION

TILLMAN COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 229,160	\$ 229,159	\$ (1)
Less: Prior Year Outstanding Warrants	(49,609)	(49,609)	-
Beginning Cash Balances, Budgetary Basis	<u>179,551</u>	<u>179,550</u>	<u>(1)</u>
Receipts:			
Ad Valorem Taxes	395,428	432,100	36,672
Sales Tax	247,723	307,108	59,385
Charges for Services	32,220	39,455	7,235
Intergovernmental Revenues	135,386	207,557	72,171
Miscellaneous Revenues	17,823	26,072	8,249
Total Receipts, Budgetary Basis	<u>828,580</u>	<u>1,012,292</u>	<u>183,712</u>
Expenditures:			
County Sheriff	250,432	249,363	1,069
County Treasurer	48,600	48,430	170
County Clerk	69,540	69,047	493
Court Clerk	73,426	72,476	950
County Assessor	72,257	70,562	1,695
Revaluation of Real Property	79,600	75,770	3,830
General Government	106,252	42,964	63,288
Excise-Equalization Board	4,700	3,072	1,628
County Election Board	49,079	47,303	1,776
Insurance	245,082	213,295	31,787
Charity	500	-	500
County Audit Budget Account	8,663	8,663	-
Total Expenditures, Budgetary Basis	<u>1,008,131</u>	<u>900,945</u>	<u>107,186</u>
Excess of Receipts and Beginning Cash			
Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	290,897	<u>\$ 290,897</u>
Operating Transfers:			
Operating Transfer In		50,000	
Operating Transfer Out		(50,000)	
Net Operating Transfers		<u>-</u>	
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		66,920	
Ending Cash Balance		<u>\$ 357,817</u>	

**TILLMAN COUNTY, OKLAHOMA
 COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
 CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
 COUNTY HEALTH DEPARTMENT FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 99,424	\$ 99,423	\$ (1)
Less: Prior Year Outstanding Warrants	(11,589)	(11,589)	-
Beginning Cash Balances, Budgetary Basis	87,835	87,834	(1)
Receipts:			
Ad Valorem Taxes	59,352	64,856	5,504
Charges for Services	68,887	68,826	(61)
Intergovernmental Revenues	-	344	344
Miscellaneous Revenues	-	79	79
Total Receipts, Budgetary Basis	128,239	134,105	5,866
Expenditures:			
County Health Budget	216,074	177,190	38,884
Total Expenditures, Budgetary Basis	216,074	177,190	38,884
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	44,749	\$ 44,749
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		11,444	
Add: Current Year Outstanding Warrants		19,693	
Ending Cash Balance		\$ 75,886	

TILLMAN COUNTY, OKLAHOMA
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS—
REMAINING AGGREGATE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Beginning Cash Balances July 1, 2012	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2013
Remaining Aggregate Funds:				
Resale Property	\$ 105,643	\$ 38,500	\$ 44,799	\$ 99,344
Treasurer Mortgage Tax Certification Fee	41,469	1,875	7,511	35,833
County Clerk Lien Fee	11,545	5,684	2,567	14,662
County Clerk Record Preservation	43,363	13,181	9,217	47,327
Assessor Revolving Fee	9,601	3,068	450	12,219
Assessor Visual Inspection	716	-	586	130
Sheriff Service Fee	60,496	111,874	126,422	45,948
Sheriff Reserve Deputy	1,038	-	-	1,038
Sheriff Commissary Fund	23,404	54,627	59,354	18,677
Sheriff Drug Fund	833	1,136	400	1,569
Insurance Deductible	11,594	-	-	11,594
Emergency 911	276,408	139,861	128,902	287,367
Grandfield Law Enforcement	24,870	14,933	31,613	8,190
Emergency Management SLA Program	385	4,000	125	4,260
Community Service Sentence	1,555	-	1,292	263
Trash Cop	43	-	-	43
Unemployment Fund	3,035	-	-	3,035
County Reward Fund	8	-	-	8
Combined Total - Remaining Aggregate Funds	\$ 616,006	\$ 388,739	\$ 413,238	\$ 591,507

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

1. Budgetary Schedules

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

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

2. Remaining County Funds

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

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

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

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

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

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

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

Sheriff Reserve Deputy – accounts for donations and disbursements for equipment for the reserve deputies.

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

Sheriff Commissary Fund – accounts for the collection of sale of items to inmates and disbursements to purchase commissary goods from the vendor and can be used for the maintenance and operations of the jail.

Sheriff Drug Fund – accounts for forfeitures and disbursements for drug enforcement.

Insurance Deductible – accounts for the collection of insurance reimbursements and disbursements to cover deductibles for future claims.

Emergency 911 – accounts for the collection of fees imposed on the residents within the boundaries of Tillman County from the phone company and disbursements are made to maintain an emergency telephone system.

Grandfield Law Enforcement – accounts for the collection of money from the City of Grandfield and disbursed for law enforcement services by the Sheriff's department.

Emergency Management SLA Program – accounts for federal funds for the purpose of the County's emergency management program.

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

Trash Cop – accounts for the Trash Cop grant and disbursed for the purpose of trash patrol.

Unemployment Fund – accounts for the collection of money from a refund of unemployment insurance and disbursed for unemployment insurance.

County Reward Fund – accounts for the collections of a fee from the District Court for the dumping of trash. Disbursements account for awards paid to citizens reporting littering offenses to the local policing departments.

INTERNAL CONTROL AND COMPLIANCE SECTION



Oklahoma State Auditor & Inspector

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

TO THE OFFICERS OF
TILLMAN COUNTY, OKLAHOMA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined total—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Tillman County, Oklahoma, as of and for the year ended June 30, 2013, which comprises Tillman County's financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated November 23, 2015.

Our report included an adverse opinion on the financial statement because the statement is prepared using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County for the year ended June 30, 2013, on the basis of accounting prescribed by Oklahoma state law, described in Note 1.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and 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 described in the accompanying schedule of findings and responses to be material weaknesses: 2013-1 and 2013-2.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies: 2013-3, 2013-12, and 2013-13.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Tillman County's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2013-12 and 2013-13.

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

Tillman County's Responses to Findings

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

Purpose of this Report

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

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



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

November 23, 2015

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

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

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

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

Cause of Condition: Policies and 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 and 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:

Board of County Commissioners Chairman: We will try to set up quarterly meetings, with all elected officials to discuss and take action regarding risk management and monitoring, and we will work toward assessing and identifying risks to design written 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 met. 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.

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

Finding 2013-2 – Inadequate Segregation of Duties Over Cash Receipts and Cash Balances (Repeat Finding)

Condition: Based upon inquiry and observation of the receipting and balancing processes, the County Treasurer has implemented some review processes to enhance internal controls; however, weaknesses remain over the receipting and balancing processes relating to an inadequate segregation of duties.

- The County Treasurer issues receipts, prepares deposits, delivers the deposit to the financial institution, and prepares the monthly apportionment.
- The First Deputy issues receipts, prepares deposits, prepares the daily report, and prepares the general ledger.

Cause of Condition: Compensating control procedures have not been fully designed and implemented with regard to segregating the duties over all aspects of the collections process.

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

Recommendation: OSAI recommends management be aware of these conditions and realize that a concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective procedures lie in management's overseeing of office operations and a periodic review of operations. OSAI recommends management provide segregation of duties so that one employee is unable to perform all accounting functions. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating procedures to mitigate the risks involved with a concentration of duties. Compensating procedures would include separating key processes and/or critical functions of the office, and having management review and approve accounting functions.

Management Response:

County Treasurer: The County Treasurer is aware of this condition and will continue the review processes that have been designed and implemented to help ensure accurate reporting of financial records.

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 2013-3 – Written Disaster Recovery Plan (Repeat Finding)

Condition: A written Disaster Recovery Plan has not been designed for the offices of County Sheriff, County Assessor, Court Clerk, District 1, District 2, and District 3.

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

Cause of Condition: A formal, written Disaster Recovery Plan with regard to the accounting records were not designed due to the County being unaware for the need of such a procedure.

Effect of Condition: Failure to have a current formal Disaster Recovery Plan could result in the County being unable to function in the event of a disaster. The lack of a formal plan could cause significant problems in ensuring county business could continue uninterrupted.

Recommendation: OSAI recommends that each office develop a Disaster Recovery Plan that addresses how critical information and systems within their offices would be restored in the event of a disaster. The Plan should include the following:

- Current names, addresses, contact numbers of key county personnel and their roles and responsibilities of information services function.
- Listing of contracted service providers.
- Information on location of key resources, including back-up site for recovery operating system, application, data files, operating manuals and program/system/user documentation.
- Alternative work locations once IT resources are available.

Management Response:

County Sheriff: We are aware of the condition and will work toward the design of a Disaster Recovery Plan.

County Assessor: We are aware of the condition and will work toward the design of a Disaster Recovery Plan.

Court Clerk: We are aware of the condition and will work toward the design of a Disaster Recovery Plan.

District 1: We are aware of the condition and will work toward the design of a Disaster Recovery Plan.

District 2: We are aware of the condition and will work toward the design of a Disaster Recovery Plan.

District 3: We are aware of the condition and will work toward the design of a Disaster Recovery Plan.

Criteria: An important aspect of internal control is the safeguarding of assets which includes adequate Disaster Recovery Plans. 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 a disaster. Disaster Recovery Plan(s) are an integral part of county operations to ensure that business can be continued as usual in the event of a disaster. Each office or the county as a whole should have a current, detailed Disaster Recovery Plan on file and should be aware of its content.

According to the standards of the Information Systems Audit and Control Association (CobiT, Deliver and Support 4), information services function management should ensure that a written Disaster Recovery

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

Plan is documented and contains guidelines and instructions for the County to follow in the event of a disaster.

Finding 2013-12 – Noncompliance with State Statute Regarding Acceptance of Bids

Condition: During the review of the bid record sheets, interview with the County Clerk, and the review of the Board of County Commissioner meeting minutes, it was noted the County awarded polyethylene pipe and steel product items to all vendors based on availability.

Cause of Condition: The County did not comply with 19 O.S. § 1505(B), which requires that counties award bids to the lowest and best bidders.

Effect of Condition: These conditions resulted in noncompliance with state statute regarding the awarding of bids.

Recommendation: OSAI recommends the County discontinue its practice of awarding all bids for services or for commonly-used goods and award the contract to the lowest and best bidder.

Management Response:

Chairman, Board of County Commissioners: This practice has always been done this way, to ensure that we were able to get the best product at the lowest costs based upon location. In the future we will only award to the lowest and best bid, and if more than one vendor is selected based on location, then we will specify that in the minutes.

Criteria: Best business practices would include soliciting bids from vendors with the goal of obtaining quality goods and/or services for the best price. When counties purchase “needed or commonly [-] used supplies, materials, [or] equipment,” 19 O.S. § 1505(B) requires the counties to solicit bids, compare them to the state contract price for the items, and select “the lowest and best bid based upon, if applicable, the availability of material and transportation cost to the job site within 30 days,” specifying the reason “any time the lowest bid was not considered to be the lowest and best bid.”

Finding 2013-13 – Inadquate Internal Controls and Noncompliance Over Discrete Presentation of Sales Tax Activity

Condition: The ballot approved by the voters of Tillman County on April 27, 2002 requires 20% of the 1% sales tax to be distributed to the Capital Improvement fund. However, 83% is distributed to the County General Fund, of which 63% was approved to be distributed to the County General Fund and 20% that should be distributed to the Capital Improvement fund. For the fiscal year 2013, \$74,001.94 was not specifically distributed to the Capital Improvement fund.

Additionally, the sales tax appropriations and expenditures were not discretely presented within the County General Fund. The County apportioned \$307,108 in sales tax collections to the County General

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

Fund during the fiscal year ended June 30, 2013. Since the sales tax collections were commingled with other sources of revenue, we could neither determine how much sales tax was expended nor perform a test of sales tax expenditures for the County General Fund.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure compliance with 69 O.S. 1370 E.

Effect of Condition: These conditions have resulted in nonconformity with the AG Opinions and the intent of the County sales tax statute.

Recommendation: OSAI recommends the County appropriate sales tax funds in accordance with the ballot approved by the majority of voters of Tillman County. A fund should be established within the County General Fund for capital improvement or the establishment of a Sales Tax Revolving Cash Fund.

Management Response:

Board of County Commissioners, County Clerk and County Treasurer: We will establish a County General Fund - Sales Tax account within in the County General Fund to be designated for the purpose proposed by the sales tax ballot. Any remaining balance at the end of the fiscal year will remain in the designated account and expended as such in the next fiscal year.

Criteria: Title 68 O.S. § 1370 E. states in part, “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....”

AG opinion 2005 OK AG 23 dated 07/13/2005 (14) states:

“3. Proceeds of a county sales tax voted for a specific purpose but placed in the county’s general fund must be accounted for as a discrete fund, and any surplus not needed for the stated purpose during one fiscal year must be transferred to the county budget for the next fiscal year, for the same specified purpose.”

AG opinion 2014 OK AG 15 dated 10/31/2014 states:

“4. C. As the fiscal agent responsible for superintending the funds of Canadian County, the board of county commissioners is responsible to ensure that the sales tax proceeds are not intermingled and are used exclusively for the purpose expressed in the ballot measure and resolution. The board can direct that the funds be deposited in a dedicated revolving fund and not intermingled with other revenues. Okla. Const. art. X, § 19; 68 O.S. 2011, § 1370; 19 O.S. Supp. 2013, § 339; 19 O.S. 2011, § 345; Cavin v. Bd. of County Comm’rs, 1934 OK 245 ¶ 11, 33 P.2d 477, 479.”

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

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

Finding 2013-7 – Inadequate Segregation of Duties Over the Official Depository Collection Process

Condition: Regarding Official Depository collections, the duties of receipting, depositing, and reconciling are not adequately segregated within the offices of the County Treasurer, County Assessor, and County Sheriff. Further, we noted through the observation of the County Sheriff’s records, collections are not deposited daily.

Cause of Condition: Policies and procedures have not been designed and implemented with regard to segregating the duties over all aspects of the collections process.

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

Recommendation: OSAI recommends management be aware of these conditions and realize that a concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective procedures lie in management’s overseeing of office operations and a periodic review of operations. OSAI recommends management provide segregation of duties so that one employee is unable to perform all accounting functions. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating procedures to mitigate the risks involved with a concentration of duties. Compensating procedures would include separating key processes and/or critical functions of the office, and having management review and approve accounting functions.

Management Response:

County Treasurer: The County Treasurer is aware of this condition and will work to implement a review process over the collection process.

County Assessor: The County Assessor is aware of the condition and will work to implement a review process over the receipting and depositing duties.

County Sheriff: The County Sheriff is aware of the condition and will work to implement a review process over the receipting and depositing processes. Also, the County Sheriff will ensure all collections are deposited on a daily basis with the County Treasurer in accordance with state statutes.

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.

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

Finding 2013-10 – Inadequate Internal Controls and Noncompliance Over Inmate Trust Fund Checking Account and Sheriff Commissary (Repeat Finding)

Condition: Upon inquiry and observation of the Inmate Trust Fund Checking Account and Sheriff Commissary Fund, one individual is primarily responsible for inputting inmate deposits into the Commissary system, preparing deposit slips, depositing with the financial institution, preparing checks, posting transactions to inmate records, and reconciling the Inmate Trust Fund Checking Account ledger to the bank statement at the end of each month.

- The County Sheriff's office did not file an annual report for the Sheriff Commissary Fund with the Board of County Commissioners by January 15th of each year.
- Receipts were not issued for inmates' funds.
- Deposits were not made on a daily basis and reconciliations were not performed.
- A test of 100% of disbursements reflected 9 checks were not issued in compliance with state statute.

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

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

Recommendation: OSAI recommends management be aware of these conditions and realize that a concentration of duties and responsibilities is not desired from a control point of view. Management should provide segregation of duties so that no one employee is able to perform all accounting functions. Also, it is recommended that receipts be issued for any money deposited into the Inmate Trust Fund Checking Account, as well as deposit funds daily and reconcile bank statements monthly.

Further, OSAI recommends disbursements be made in accordance with 19 O.S. § 531 A. and for the Sheriff's Office to file an annual report for the Sheriff Commissary Fund with the Board of County Commissioners in accordance with 19 O.S. § 180.43 D.

Management Response:

County Sheriff: I am aware of this condition and will work to rectify these issues.

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

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

Title 19 O.S. § 531 A. states in part, “The county sheriff may establish a checking account, to be designated the “Inmate Trust Fund Checking Account.” 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.”

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



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