

COUNTY AUDIT

# TILLMAN COUNTY

For the fiscal year ended June 30, 2011



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



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

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

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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](http://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

November 15, 2013

TO THE CITIZENS OF  
TILLMAN COUNTY, OKLAHOMA

Transmitted herewith is the audit of Tillman County, Oklahoma for the fiscal year ended June 30, 2011. The audit was conducted in accordance with 19 O.S. § 171.

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

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

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

Sincerely,

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

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

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

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

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INTERNAL CONTROL AND COMPLIANCE SECTION

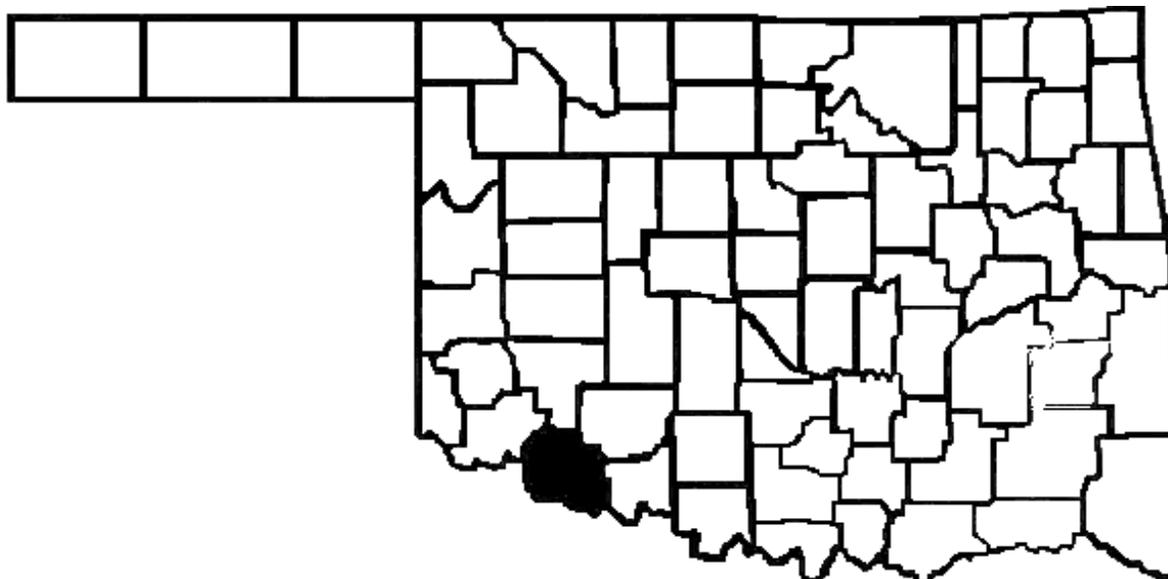
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PRESENTED FOR INFORMATIONAL PURPOSES ONLY**

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

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Bordering Texas at the Red River, part of Tillman County was in Comanche, Kiowa, and Apache grazing lands opened for settlement by lottery June 9, 1901 to August 6, 1901. The southeastern part, 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.

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. Finally in 1962, the railway honored this promise.

Farming, ranching, and dairies illustrate a variety of agricultural interests. The Frederick Industrial Park has a 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 – 7,796  
(2009 est.)

Farms – 548

Land in Farms – 463,943 Acres

Primary Source: Oklahoma Almanac 2011-2012

**TILLMAN COUNTY OFFICIALS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**Board of County Commissioners**

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

**County Assessor**

Linda Coleman

**County Clerk**

Jerri Boyd

**County Sheriff**

Bobby Whittington

**County Treasurer**

Kim Lamb

**Court Clerk**

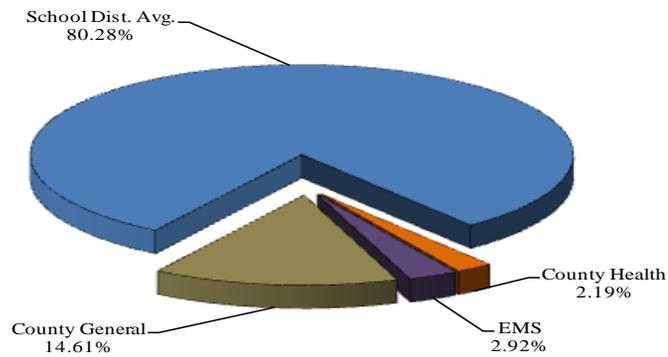
Daralene Kidwell

**District Attorney**

John Wampler

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

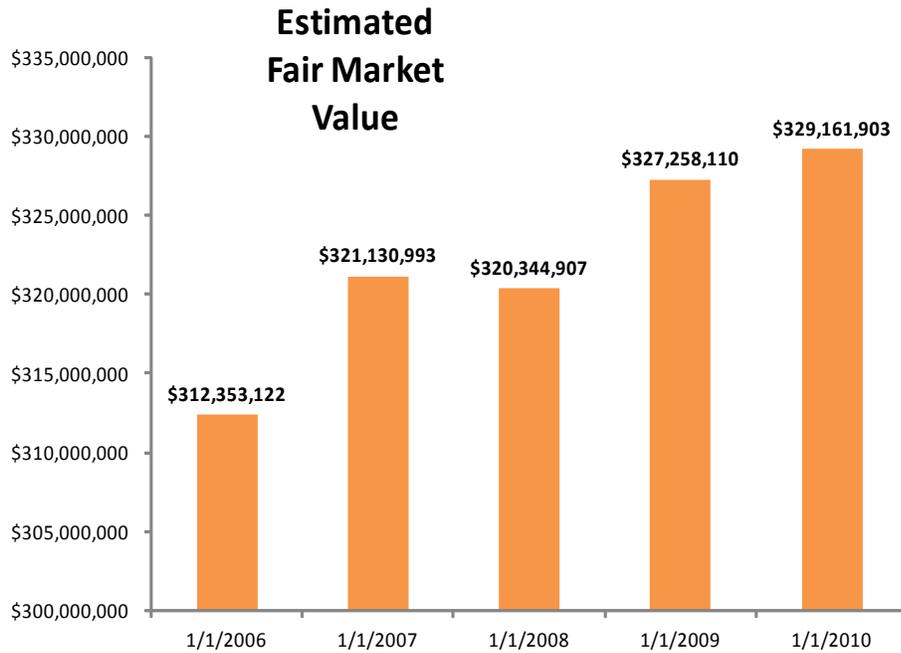
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the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



County-Wide Millages		School District Millages							
				Gen.	Bldg.	Skg.	Career		Total
							Tech	Common	
County General	10.46								
County Health	1.57	Tipton	I-8	36.75	5.25	20.36	14.51	4.19	81.06
EMS	2.09	Davidson	I-9	36.31	5.19	-	14.51	4.19	60.20
		Frederick	I-158	36.49	5.21	24.38	14.51	4.19	84.78
		Grandfield	I-249	36.86	5.27	-	14.51	4.19	60.83
		Comanche Co.	JT-2	35.94	5.13	12.14	14.51	4.19	71.91
		Kiowa Co.	JT-4	36.60	5.23	-	14.51	4.19	60.53
		Comanche Co.	JT-132	37.19	5.31	17.00	14.51	4.19	78.20
		Cotton Co.	JT-333	35.17	5.02	18.39	14.51	4.19	77.28

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

Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2010	\$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
1/1/2007	\$8,046,555	\$4,973,876	\$27,877,063	\$2,326,822	\$38,570,672	\$321,130,993
1/1/2006	\$7,498,812	\$5,034,077	\$27,339,846	\$2,211,518	\$37,661,217	\$312,353,122

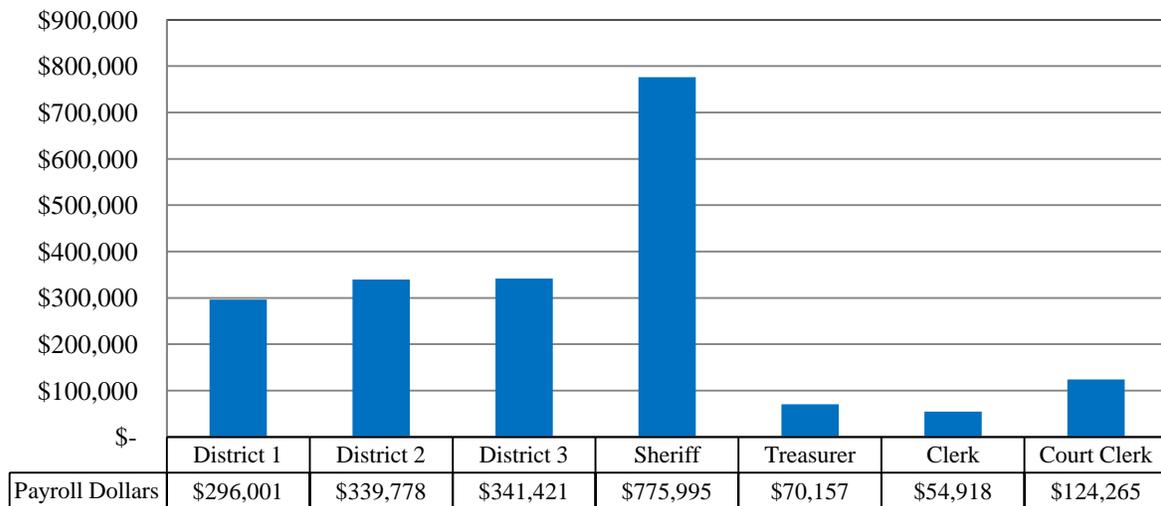


**TILLMAN COUNTY, OKLAHOMA  
COUNTY PAYROLL EXPENDITURES ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

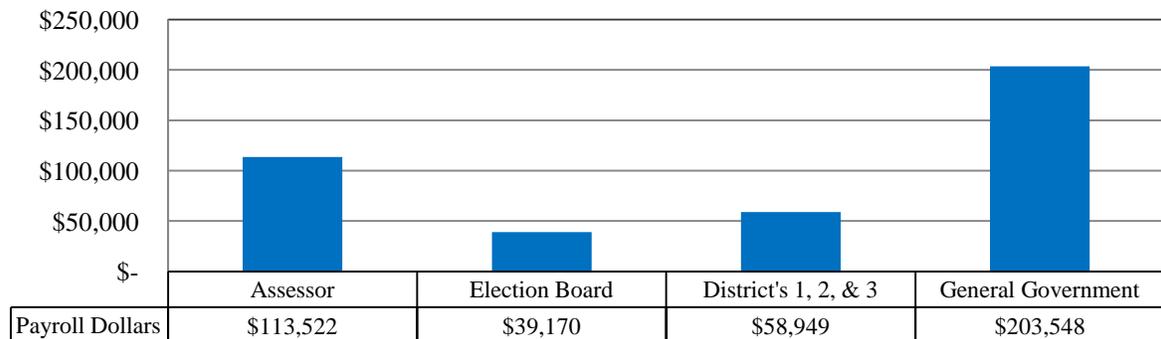
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County officers' salaries are based upon the assessed valuation and population of the counties. State statutes provide guidelines for establishing elected officers' salaries. The Board of County Commissioners sets the salaries for all elected county officials within the limits set by the statutes. The designated deputy or assistant's salary cannot exceed the principal officer's salary. Salaries for other deputies or assistants cannot exceed the principal officer's salary. The information presented below is for the fiscal year ended June 30, 2011.

**Payroll Expenditures by Department**



**Payroll Expenditures by Department**



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

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## 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.

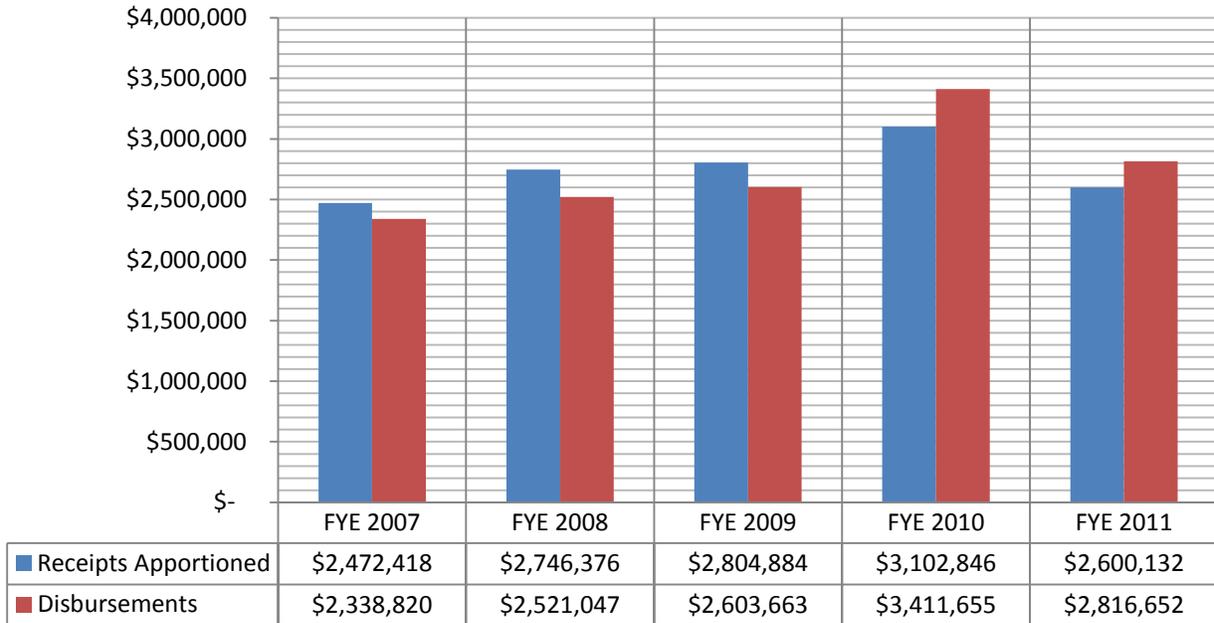


**TILLMAN COUNTY, OKLAHOMA  
COUNTY HIGHWAY FUND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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## 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

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, 2011, listed in the table of contents as the financial statement. This financial statement is the responsibility of Tillman County's management. Our responsibility is to express an opinion on the combined total—all county funds on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, this financial statement was prepared using accounting practices prescribed or permitted by Oklahoma state law, which practices differ from accounting principles generally accepted in the United States of America. The differences between this regulatory basis of accounting and accounting principles generally accepted in the United States of America are also described in Note 1.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Tillman County as of June 30, 2011, or changes in its financial position for the year then ended.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash balances for all county funds of Tillman County, for the year ended June 30, 2011, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2013, 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 should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the combined total of all county funds on the financial statement. The remaining Other Supplementary Information, as listed in the table of contents, is presented for purposes of additional analysis, and is not a required part of the financial statement. Such supplementary information has been subjected to the auditing procedures applied in the audit of the combined total—all county funds on the regulatory basis Statement of Receipts, Disbursements and Changes in Cash Balances and, in our opinion, is fairly stated, in all material respects, in relation to the combined total—all county funds.. The information listed in the table of contents under Introductory Section has not been audited by us, and accordingly, we express no opinion on it.

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

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

November 4, 2013

**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, 2011**

	Beginning Cash Balances July 1, 2010	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2011
Combining Information:						
Major Funds:						
County General Fund	\$ 202,244	\$ 992,788	\$ 40,000	\$ 40,000	\$ 954,980	\$ 240,052
County Highway Cash	1,463,439	2,600,132	210,466	40,000	2,816,652	1,417,385
County Health Department	113,839	193,240	-	-	208,515	98,564
Sheriff Department of Corrections	149,185	670,134	-	-	735,979	83,340
Free Fair	16,077	16,335	-	-	12,878	19,534
OSU Extension	71,176	39,205	-	-	40,803	69,578
Law Enforcement Center Sales Tax	-	56,582	-	-	42,465	14,117
REAP Grant	-	60,500	-	-	60,500	-
County Bridge and Road Improvement Fund 103	-	117,464	-	117,464	-	-
County Bridge and Road Improvement Fund 105	-	1,086,219	-	53,002	-	1,033,217
Remaining Aggregate Funds	534,362	632,648	-	-	566,168	600,842
<b>Combined Total - All County Funds</b>	<b>\$ 2,550,322</b>	<b>\$ 6,465,247</b>	<b>\$ 250,466</b>	<b>\$ 250,466</b>	<b>\$ 5,438,940</b>	<b>\$ 3,576,629</b>

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, 2011**

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**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 major 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 ad valorem taxes and state and local revenues.

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

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

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

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

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

REAP Grant – accounts for state grant funds received to be used for rural development.

County Road and Improvement Fund 103 – accounts for state receipts and disbursements for the purpose of maintaining bridges and roads.

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

**C. Basis of Accounting**

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

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

**D. Budget**

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

**E. Cash and Investments**

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

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

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identifiable on the County's books. The balance in the pooled cash accounts is available to meet current operating requirements.

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

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

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

**2. Ad Valorem Tax**

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

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

**3. Other Information**

**A. Pension Plan**

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

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

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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 1% sales tax effective August 27, 2002, that 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%; County General 63%, Free Fair 5%; and Capital Improvement 20%.

The voters of Tillman County approved a 1/2 of 1% sales tax effective January 1, 2011 to support the payment of lease obligations 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, 2011**

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**E. Interfund Transfers**

Interfund transfers consisted of the transfer of \$170,466 to the County Highway Cash Fund from the County Bridge and Road Improvement Funds 105 and 103 in the amount of \$117,464 and \$53,002, respectively, for bridge and road projects in Tillman County.

Additional interfund transfers consisted of the transfer of funds from the County Highway Cash Fund to the County General Fund and from County General Fund to the County Highway Cash Fund in the amount of \$40,000 as allowed by state statute.

**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, 2011**

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 202,244	\$ 202,244	\$ -
Less: Prior Year Outstanding Warrants	(49,420)	(49,420)	-
Beginning Cash Balances, Budgetary Basis	<u>152,824</u>	<u>152,824</u>	<u>-</u>
Receipts:			
Ad Valorem Taxes	374,818	413,190	38,372
Sales Tax	234,389	271,167	36,778
Charges for Services	27,042	40,940	13,898
Intergovernmental Revenues	255,834	169,883	(85,951)
Miscellaneous Revenues	70,398	97,608	27,210
Total Receipts, Budgetary Basis	<u>962,481</u>	<u>992,788</u>	<u>30,307</u>
Expenditures:			
County Sheriff	354,828	301,839	52,989
County Treasurer	39,205	39,114	91
County Clerk	63,123	61,155	1,968
Court Clerk	63,218	63,218	-
County Assessor	69,380	66,231	3,149
Revaluation of Real Property	82,900	73,067	9,833
General Government	131,270	116,688	14,582
Excise-Equalization Board	3,600	2,980	620
County Election Board	52,992	47,502	5,490
Insurance	246,059	203,548	42,511
Charity	500	51	449
Audit Budget	8,230	4,108	4,122
Total Expenditures, Budgetary Basis	<u>1,115,305</u>	<u>979,501</u>	<u>135,804</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	166,111	<u>\$ 166,111</u>
Interfund Transfers:			
Interfund Transfers In		40,000	
Interfund Transfers Out		(40,000)	
Total		<u>-</u>	
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		73,941	
Ending Cash Balance		<u>\$ 240,052</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, 2011**

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	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 113,839	\$ 113,839	\$ -
Less: Prior Year Outstanding Warrants	(3,325)	(3,325)	-
Beginning Cash Balances, Budgetary Basis	110,514	110,514	-
Receipts:			
Ad Valorem Taxes	56,258	62,075	5,817
Charges for Service	-	130,795	130,795
Intergovernmental	115,554	216	(115,338)
Miscellaneous Revenues	-	154	154
Total Receipts, Budgetary Basis	171,812	193,240	21,428
Expenditures:			
Health and Welfare	282,326	215,293	67,033
Total Expenditures, Budgetary Basis	282,326	215,293	67,033
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	88,461	\$ 88,461
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		10,103	
Ending Cash Balance		\$ 98,564	

**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, 2011**

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	Beginning Cash Balances July 1, 2010	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2011
Remaining Aggregate Funds:				
Resale Property	\$ 101,613	\$ 40,983	\$ 49,547	\$ 93,049
Treasurer Mortgage Tax Certification Fee	37,557	2,350	40	39,867
County Clerk Lien Fee	7,368	3,966	1,515	9,819
County Clerk Records Preservation Fee	41,275	10,725	6,722	45,278
Assessor Revolving Fee	4,902	2,769	115	7,556
Assessor Visual Inspection	3,670	13	1,630	2,053
Sheriff Service Fee	40,413	115,373	114,344	41,442
Sheriff Reserve Deputy	668	550	180	1,038
Sheriff Commissary Fund	12,118	46,308	39,914	18,512
Sheriff Drug Fund	198	735	-	933
Insurance Deductible	16,188	-	-	16,188
E-911 Account	225,927	166,875	140,494	252,308
Dispatch	36,923	184,493	171,628	49,788
Grandfield Law Enforcement	-	52,500	39,633	12,867
Emergency Management SLA Program	710	5,000	207	5,503
Community Service Sentence	1,754	-	199	1,555
Trash Cop	43	-	-	43
Unemployment Fund	3,035	-	-	3,035
Reward Fund	-	8	-	8
<b>Combined Total - Remaining Aggregate Funds</b>	<b>\$ 534,362</b>	<b>\$ 632,648</b>	<b>\$ 566,168</b>	<b>\$ 600,842</b>

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

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**1. OTHER SUPPLEMENTARY INFORMATION**

**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 as follows:

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

Treasurer Mortgage Tax Certification Fee – accounts for the collection of fees by the Treasurer for mortgage tax certificates and the disbursement of the funds as restricted by statute.

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

County Clerk Records Preservation Fee – 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.

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

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

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.

E-911 Account – 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.

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.

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 money transferred from the General Fund to establish a separate account to pay unemployment claims.

Reward Fund – accounts for the collections of a fee from district court for the dumping of trash. Disbursements account for awards paid to citizens reporting to the local policing departments.

**INTERNAL CONTROL AND COMPLIANCE SECTION**



# Oklahoma State Auditor & Inspector

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

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

TO THE OFFICERS OF  
TILLMAN COUNTY, OKLAHOMA

We have audited the combined totals—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, 2011, which comprises Tillman County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated November 4, 2013. Our report on the basic financial statement was adverse because the statement is not a presentation in conformity with accounting principles generally accepted in the United States of America. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County for the year ended June 30, 2011, on the basis of accounting prescribed by Oklahoma state law, described in Note 1. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Tillman County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Tillman County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in internal control described in the accompanying schedule of findings and responses to be material weaknesses in internal control over financial reporting. 2011-1, 2011-2, 2011-4, and 2011-5.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Tillman County's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings and responses as item 2011-4.

We noted certain matters 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 the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit Tillman County's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, those charged with governance, others within the entity, and is not intended to be and should not be used by anyone other than the specified parties. This report is also a public document pursuant to the Oklahoma Open Records Act (51 O.S., section 24A.1 et seq.), and shall be open to any person for inspection and copying.

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

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

November 4, 2013

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

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

**Finding - 2011-1—County-Wide Controls and Disaster Recovery Plans**

**Condition:** County-wide controls regarding Risk Management and Monitoring have not been designed. Also, the offices of County Treasurer, County Assessor, and Court Clerk do not have a Disaster Recovery Plan in place for the information systems.

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

**Effect of Condition:** These conditions could result in unrecorded transactions, undetected errors, or misappropriation of funds. These conditions could also result in the loss of data, the unreliability of data, and increase the risk that the County may not recover in an emergency situation and/or disaster.

**Recommendation:** The Oklahoma State Auditor & Inspector's Office (OSAI) recommends that the County design procedures to identify and address risks. OSAI also recommends that the County design monitoring procedures to assess the quality of performance over time. These procedures should be written policies and procedures and could be included in the County's policies and procedures handbook. Each office using an information system should prepare a Disaster Recovery Plan in order to maintain operations in the event of a disaster.

**Management Response:**

**BOCC:** Management will assess and identify risk and work to implement the recommendations of OSAI.

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

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

**Condition:** Based upon inquiry and observation of the receipting and balancing process of the County Treasurer's office, the following was noted:

- The County Treasurer issues receipts, prepares deposits, delivers the deposit to the financial institution, and prepares the monthly apportionment.

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

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- The County Treasurer performs monthly bank reconciliations for all bank accounts and does not initial and date the reconciliations. There is no independent oversight of monthly bank reconciliations.
- The First Deputy issues receipts, prepares deposits, prepares the daily report, and prepares the general ledger.

**Cause of Condition:** Procedures have not been designed to segregate the duties over all aspects of the receipting process and cash balances process in the office of the County Treasurer.

**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 no one employee is able to perform all accounting functions. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating 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 approval of accounting functions.

**Management Response:**

**County Treasurer:** It is understandable the concern of accountability in a limited staff situation, but at this time the economic status of the County does not allow the office of the County Treasurer to increase the number of employees to avoid a limited segregation of duties over cash receipts and cash balances.

**Auditor Response:** OSAI does not recommend the additional hiring of staff. Although the office is limited in staff, mitigating controls such as reviewing work of others could be implemented to reduce the risks of error and fraud. Evidence of the review should be noted with initials and dates.

**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, 2011**

**Finding - 2011-4—Inadequate Internal Controls Over Purchasing Procedures and Noncompliance with State Statutes**

**Condition:** Upon inquiry and observation of the County’s purchasing process, the following weaknesses were noted:

- In some cases, the employee that orders the goods and services can also sign the receiving report as a designated receiving agent for the department.
- The County Clerk certifies by her signature, that supporting documentation is attached to purchase orders for cash disbursements; however, in some cases receiving reports and/or invoices were not attached to support disbursements.
- A deputy of the County Clerk uses the signature stamp of the Chairman of the Board of County Commissioners to stamp warrants for payment.

Further, the test of 52 purchase orders revealed 10 instances in which noncompliance with state statutes was noted.

<b>Office/Department</b>	<b>P.O. Number</b>	<b>Warrant Number</b>	<b>Noncompliance with State Statutes</b>
Dispatching	24	1	A receiving report was not attached to the purchase order and funds were not timely encumbered.
Highway	1106	645	The receiving report was not signed by the authorized receiving officer.
Highway	986	486	A receiving report was not attached to the purchase order and funds were not timely encumbered.
Sheriff DOC	577	98	The amount on the invoice and the amount disbursed, did not agree to the amount documented on the receiving report. Fuel tickets did not have documentation to support the amount paid on the invoice.
Highway	2475	1544	On two occasions, invoices for purchases were not attached to the blanket purchase order. Funds for these disbursements were not timely encumbered.
Sheriff DOC	3097	425	A receiving report was not attached to the purchase order and funds were not timely encumbered.
Sheriff DOC	2985	457	Fuel tickets did not have documentation to support the amount paid on the invoice.
Highway	944	481	A receiving report was not attached to the purchase order and funds were not timely encumbered.
Highway	1998	1050	A receiving report was not attached to the purchase order and funds were not timely encumbered.
Highway	1997	1052	A receiving report was not attached to the purchase order and funds were not timely encumbered.

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

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**Cause of Condition:** Procedures have not been designed with regard to the purchasing process to ensure adequate internal controls and 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 management implement procedures to comply with state statutes regarding the expenditure of the County's funds. Purchase orders should be entered into the computer system as soon as requested to ensure funds are properly set aside for obligations and to ensure that the County does not exceed the amounts available for budgeted expenditures.

Additionally, all documentation including receiving reports and original invoices, should be attached to the purchases prior to approval for payment.

Further, OSAI recommends that signature stamps only be used by the official. Officials who utilize signature stamps should ensure that signature stamps are adequately safeguarded from unauthorized use.

**Management Response:**

**County Clerk:** Signature stamps are no longer used by the Deputy County Clerk on warrants issued for payment. The County Clerk will place an emphasis on making sure all purchase orders have supporting documentation, such as receiving reports and invoices.

**Chairman of the BOCC:** Procedures will be implemented to ensure all disbursements have supporting documentation, such as receiving reports and invoices attached to the purchase orders.

**County Sheriff:** Procedures will be implemented to ensure all disbursements have supporting documentation. The County Sheriff's department will implement a policy to maintain a fuel log for all fuel purchases and implement internal controls to verify the fuel purchases agree to the monthly invoice from the vendor.

**Criteria:** OSAI recommends that management implement internal controls to ensure compliance with 19 O.S. § 1500-1505.

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

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

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

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

**Condition:** Upon inquiry and observation of the County's payroll process, it was noted that the First Deputy of the County Clerk not only inputs new hire information into the payroll software system but also maintains personnel files, makes payroll changes upon approval of the official, runs payroll affidavits, and prepares OPERS reports.

The First Deputy of the County Clerk also performs the duty of initializing the payment of payroll through direct deposit with the responsibilities of logging on to the website for the financial institution, entering the pin number, uploading the payroll files, and the date of payment to be posted to employee's bank accounts.

**Cause of Condition:** Policies and procedures have not been designed with regard to segregation of duties and/or compensating internal controls over the payroll process.

**Effect of Condition:** This condition could result in unrecorded transactions, misstated financial reports, undetected errors, and misappropriation of funds.

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

- Enrolling new employees and maintaining personnel files.
- Reviewing time records and preparing payroll.
- Approving payroll warrants
- Distributing payroll warrants to individuals.

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

**Management Response:**

**County Clerk:** The County Clerk will review the payroll process and try to implement procedures to segregate duties. However, the limited number of personnel working in the County Clerk's office may prohibit a proper segregation of duties over the payroll process.

**Auditor Response:** Although the office of the County Clerk is limited in staff, mitigating controls such as reviewing work of others could be implemented to reduce the risks of error and fraud. Evidence of the review should be noted with initials and dates.

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

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

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

**Finding - 2011-9—Inadequate Internal Controls Over the Court Clerk Receipting Process**

**Condition:** Upon inquiry and the observation of records, we noted the following weaknesses with regard to internal control over the receipting process of the Court Clerk:

- Employees operate from separate money bags; however, they do not maintain supporting evidence of their individual reconciliation of receipts issued to collections.
- Additionally, the same employee that prepares the deposit slip may also issue receipts for collections.
- There is no review of the deposit slip, which would implement a compensating control.

**Cause of Condition:** The Court Clerk was unaware of the need to maintain supporting evidence of balancing and implementing a review process of the deposit slip.

**Effect of Condition:** These conditions could result in a breakdown of the operating effectiveness of compensating controls put into place by the official. 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, undetected errors, or misappropriation of funds not being detected in a timely manner.

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

**Management Response:**

**Court Clerk:** The Court Clerk’s office will maintain supporting documentation of daily balancing by individual employees and the supporting documentation will be initialed and dated. The Court Clerk will implement a review of the prepared deposit slip and the review will be initialed and dated by the reviewer.

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

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**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, key duties and responsibilities should be segregated among different individuals to reduce the risk of error or fraud. No one individual should have the ability to authorize transactions, have physical custody of assets, and record transactions.

**Finding - 2011-10—Inadequate Segregation of Duties and Noncompliance Over the Inmate Trust Fund**

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

- Jailers do not issue receipts for inmate money at the time it is received.
- One employee is responsible for obtaining money from the drop safe, entering the amount received into the inmate trust system, and preparing the deposit.
- Although a review process has been implemented over the deposit slip, inmate trust money is only posted in the inmate ledgers and deposited at the financial institution once a week.
- Upon review of all checks issued from the Inmate Trust Fund, we noted 3 checks (#1840, #1884, #1940) totaling \$250, that were issued to payees not authorized by statute.

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

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

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

Further, OSAI recommends that the County Sheriff comply with Title 19 O.S. § 682, which requires all funds received under the color of office be deposited on a daily basis. All funds received should be receipted at the time of receipt by employees.

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

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**Management Response:**

**County Sheriff:** The Sheriff's department will work towards implementing receipting funds collected for inmates at the time money is received. The limited number of employees could hinder a proper segregation of duties; however, the Sheriff's department will work towards implementing a segregation of duties.

**Auditor Response:** Although the office of the County Sheriff is limited in staff, mitigating controls such as reviewing work of others could be implemented to reduce the risks of error and fraud. Evidence of the review should be noted with initials and dates.

**Criteria:** Accountability and stewardship are overall goals of management in accounting of funds. To help ensure a proper accounting of funds, the duties of receiving, receipting, recording, depositing cash and checks, reconciliations, and transaction authorization should be segregated.

Further, implementing internal controls over should be goals of management to ensure compliance with Title 19 O.S. § 682 which requires all funds received under the color of office be deposited on a daily basis.

**Finding - 2012-11—Inadequate Internal Controls and Noncompliance with the State Statutes Over Fixed Assets and Consumable Inventories**

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

**District 1:**

- An annual physical fixed assets inventory count is not being performed.
- Three of the ten items selected were not properly marked with "Property of Tillman County."
- One of the ten items selected was not properly marked with a county identification number.

**District 2:**

- Documentation of the annual physical fixed assets inventory count is not maintained.
- Three of the ten items selected were not properly marked with "Property of Tillman County."
- One of the ten items selected was not properly marked with a county identification number.

**District 3:**

- Documentation of the annual physical fixed assets inventory count is not maintained.
- Two of the ten items selected were not properly marked with a county identification number.

**County Treasurer:**

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

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

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**County Sheriff:**

- Documentation of the annual physical fixed assets inventory count is not maintained.
- Three of the five items selected were not marked with county identification numbers.
- One of the five items selected could not be located for visual verification.

**Court Clerk:**

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

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

**District 1, 2, and 3:**

- The employee responsible for maintaining stock cards with regard to posting consumable items received and/or transferred off the yard, is also responsible for the monthly physical count of consumable inventory.

**Cause of Condition:** Procedures have not been designed and implemented by county officers to perform annual fixed assets inventory counts and consumable inventory counts to ensure compliance with state statutes. Also, duties have not been properly segregated regarding consumable inventories.

**Effect of Condition:** These conditions resulted in noncompliance with state statutes. When fixed assets are not monitored and equipment is not properly marked with identification numbers and “Property of Tillman County,” opportunities for misuse or loss of equipment can occur. Additionally, when the duties of maintaining consumable inventory items and performing the physical count are not separated, opportunities for misuse or loss of consumable items can occur.

**Recommendation:** OSAI recommends that management implement internal controls to ensure compliance with 69 O.S. § 645.1, 19 O.S. § 1502(A) (1), and 19 O.S. § 1504A.

OSAI also recommends that annual physical fixed assets counts be performed and documentation of those counts be signed, dated, and retained to show the operating effectiveness of internal controls implemented by officials.

Further, OSAI recommends monthly consumable inventory counts be performed by an employee not responsible for maintaining stock cards, with regard to posting consumable items received and/or transferred off the yard. The monthly consumable inventory count should be initialed and dated by the employee performing the physical count and retained to show the operating effectiveness of internal controls implemented by the County Commissioner.

**Management Response:**

**District 1, 2, and 3:** The Districts will perform an annual physical fixed assets count and maintain supporting documentation with a signature and date of the count. Further, the Districts will implement internal controls to perform monthly counts of consumable inventory by an individual separate from the employee posting activity to consumable records.

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

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**County Treasurer:** The County Treasurer will implement procedures to physically review fixed assets on an annual basis along with signing and dating the review. The signed documentation will be retained by the County Treasurer and also filed with the County Clerk. The one item was numbered incorrectly on the inventory list, and will be corrected.

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

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

**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.

Further, the County should comply with 69 O.S. § 645.1, 19 O.S. § 1502(A) (1), and 19 O.S. § 1504A to properly mark fixed assets and account for both fixed assets and consumable inventories.



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