

COUNTY AUDIT

TILLMAN COUNTY

For the fiscal year ended June 30, 2012



*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, 2012**

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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 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, 2012. The audit was conducted in accordance with 19 O.S. § 171.

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

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

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

Sincerely,

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

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

**TILLMAN COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**TILLMAN COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

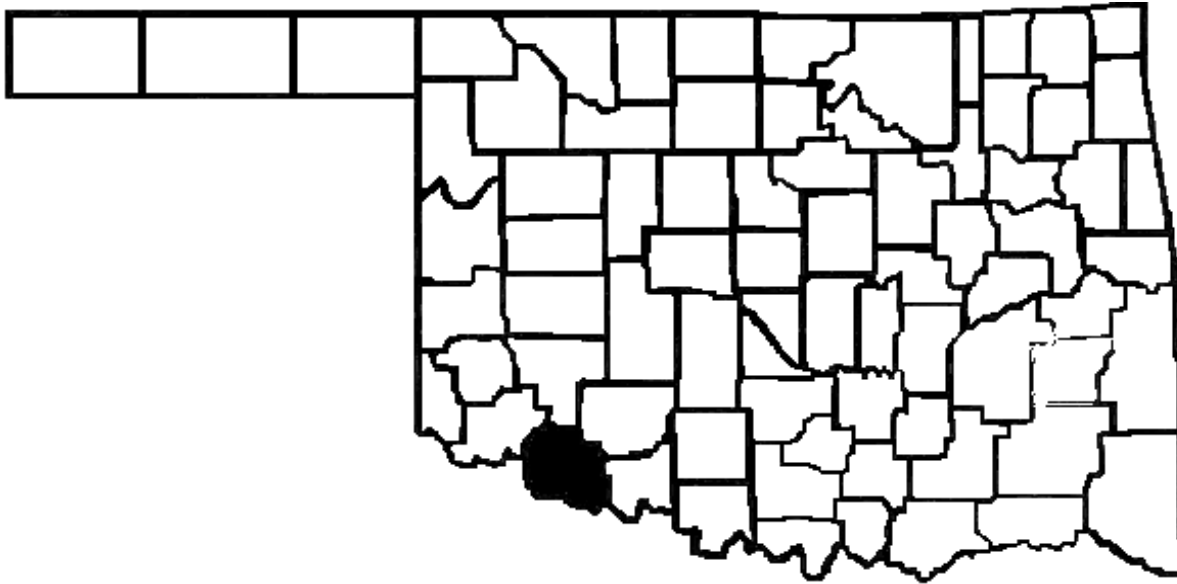
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INTRODUCTORY SECTION
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**TILLMAN COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**



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, 2012**

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

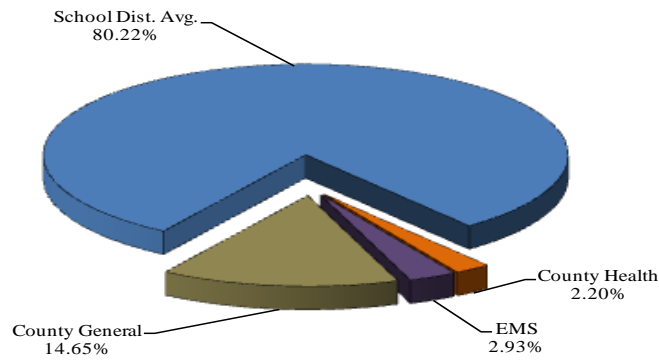
Darlene Kidwell

District Attorney

John Wampler

**TILLMAN COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

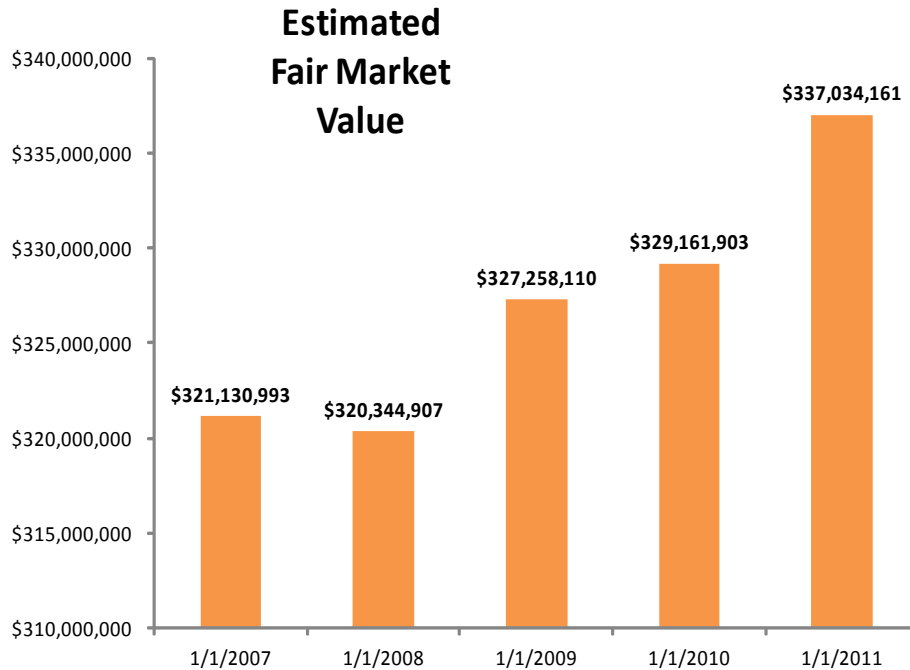
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the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



County-Wide Millages		School District Millages							
				Gen.	Bldg.	Skg.	Career Tech	Common	Total
County General	10.46								
County Health	1.57	Tipton	I-8	36.75	5.25	22.44	14.51	4.19	83.14
EMS	2.09	Davidson	I-9	36.31	5.19	-	14.51	4.19	60.20
		Frederick	I-158	36.49	5.21	21.32	14.51	4.19	81.72
		Grandfield	I-249	36.86	5.27	-	14.51	4.19	60.83
		Comanche Co.	JT-2	35.94	5.13	15.30	14.51	4.19	75.07
		Kiowa Co.	JT-4	36.60	5.23	-	14.51	4.19	60.53
		Comanche Co.	JT-132	37.19	5.31	15.32	14.51	4.19	76.52
		Cotton Co.	JT-333	35.17	5.02	15.72	14.51	4.19	74.61

**TILLMAN COUNTY, OKLAHOMA
 ASSESSED VALUE OF PROPERTY
 TREND ANALYSIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

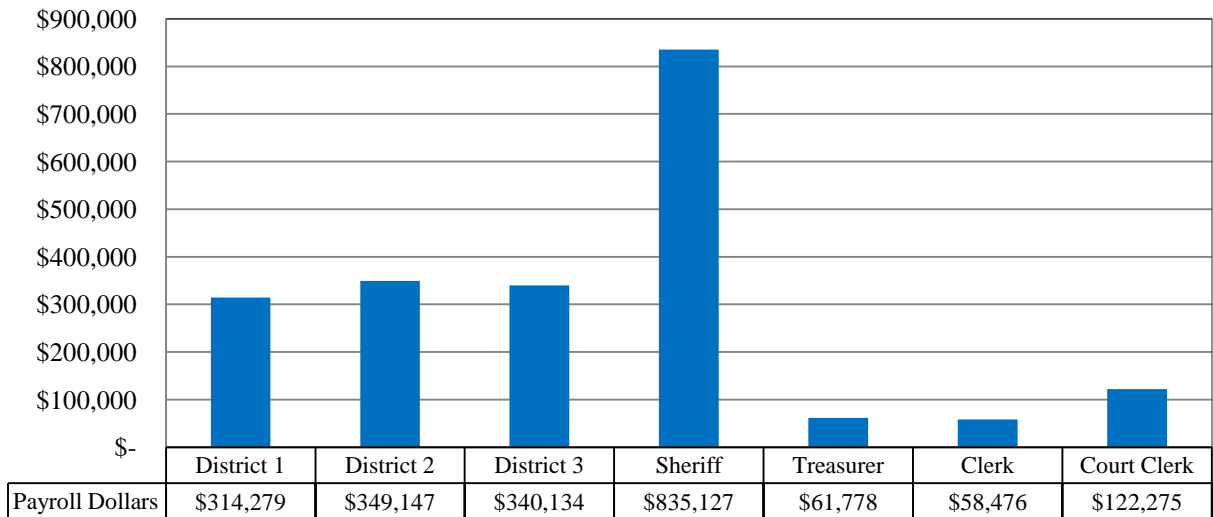
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2011	\$7,343,687	\$4,968,695	\$30,491,032	\$2,244,575	\$40,558,839	\$337,034,161
1/1/2010	\$7,239,095	\$4,594,037	\$29,847,710	\$2,243,964	\$39,436,878	\$329,161,903
1/1/2009	\$7,295,957	\$4,597,468	\$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
1/1/2007	\$8,046,555	\$4,973,876	\$27,877,063	\$2,326,822	\$38,570,672	\$321,130,993



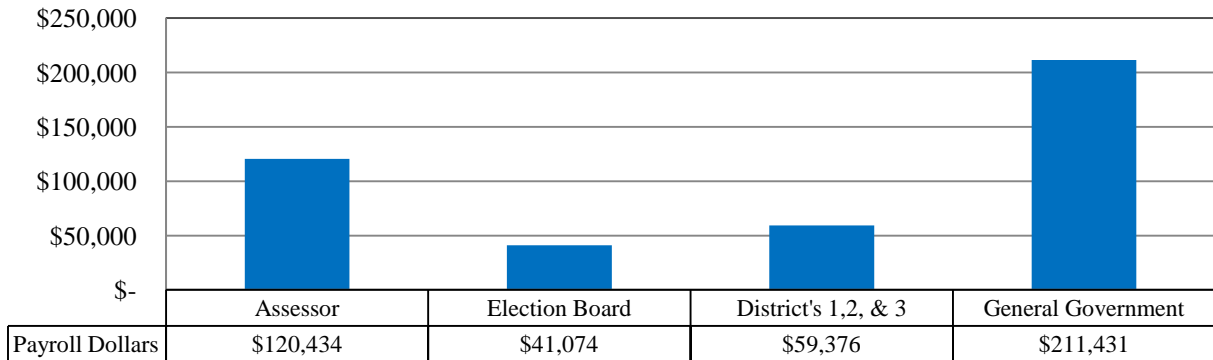
**TILLMAN COUNTY, OKLAHOMA
COUNTY PAYROLL EXPENDITURES ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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, 2012.

Payroll Expenditures by Department



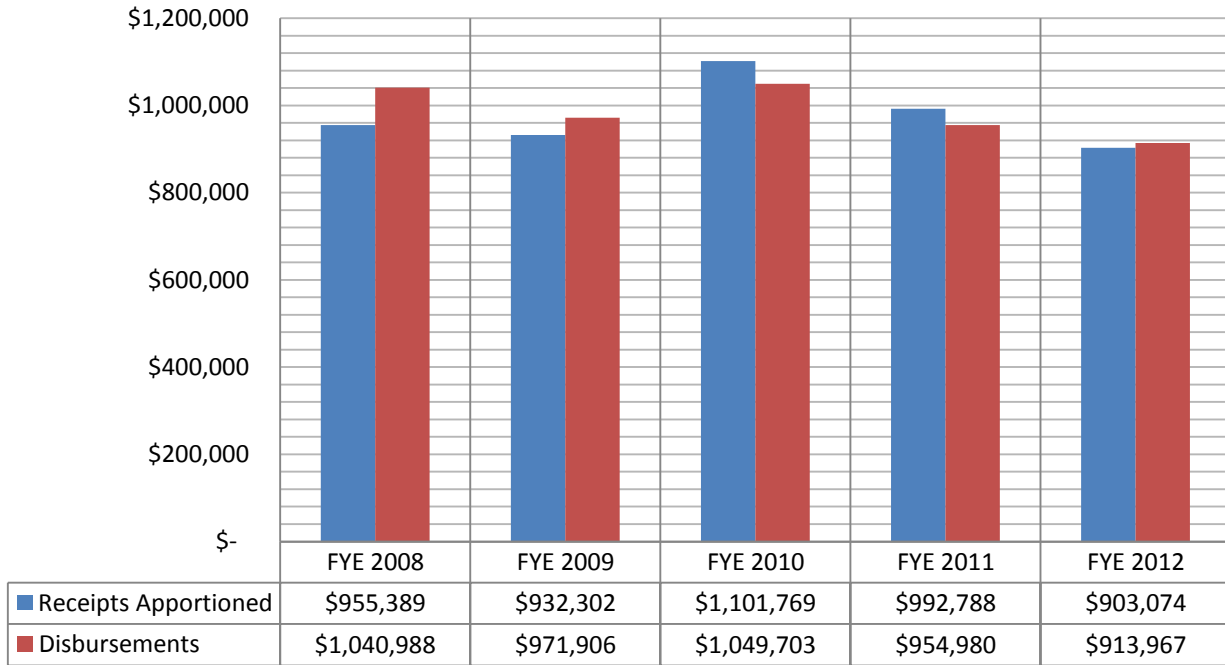
Payroll Expenditures by Department



**TILLMAN COUNTY, OKLAHOMA
COUNTY GENERAL FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

County General Fund

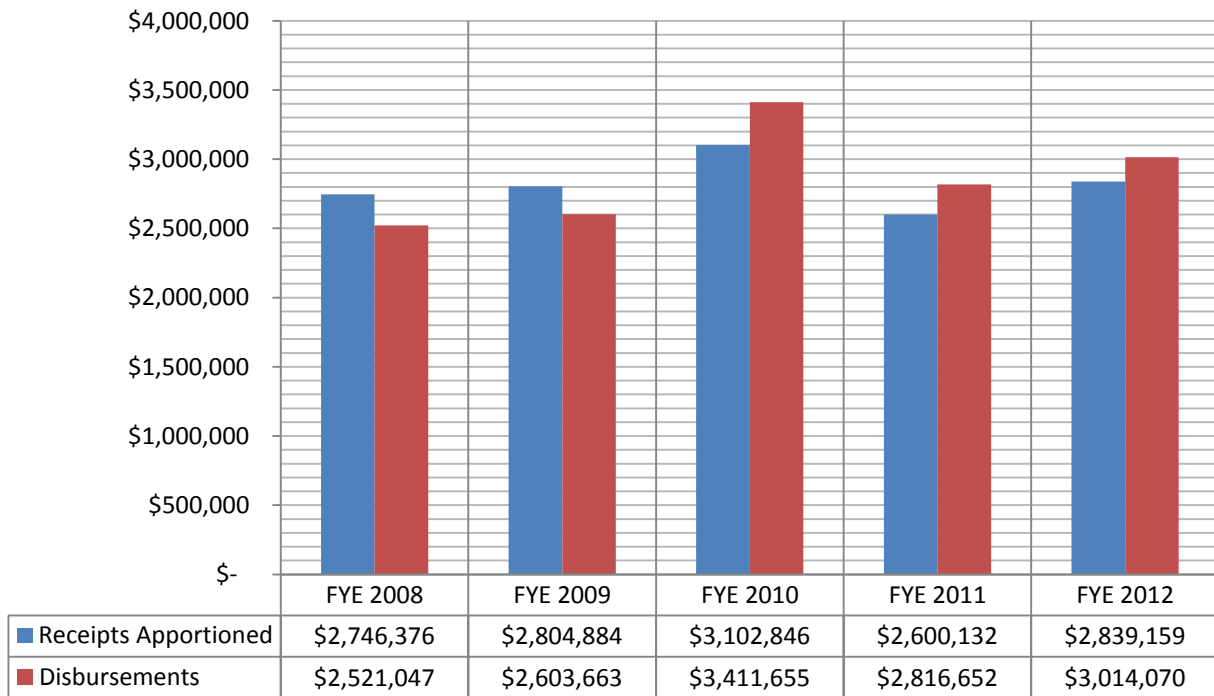
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also 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, 2012**

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, 2012, 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, 2012, 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, 2012, 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", with a long horizontal flourish extending to the right.

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, 2012

	Beginning Cash Balances July 1, 2011	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2012
Combining Information:						
Major Funds:						
County General Fund	\$ 240,052	\$ 903,074	\$ 70,000	\$ 70,000	\$ 913,967	\$ 229,159
County Highway Cash	1,417,385	2,839,159	105,179	70,000	3,014,070	1,277,653
County Health Department	98,564	203,127	-	-	202,268	99,423
Sheriff Department of Corrections	83,340	670,324	-	-	615,961	137,703
Free Fair	19,534	16,581	-	-	12,287	23,828
OSU Extension	69,578	39,795	-	-	49,149	60,224
Law Enforcement Center Sales Tax	14,117	174,200	-	-	188,315	2
County Bridge and Road Improvement Fund 105	1,033,217	276,513	-	35,179	78,665	1,195,886
E-911 Account	252,308	144,091	-	-	119,991	276,408
Remaining Aggregate Funds	348,534	490,084	-	-	457,367	381,251
Combined Total - All County Funds	\$ 3,576,629	\$ 5,756,948	\$ 175,179	\$ 175,179	\$ 5,652,040	\$ 3,681,537

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, 2012**

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, 2012**

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.

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

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.

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, 2012**

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, 2012**

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, 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%; County General 63%, Free Fair 5%; and Capitol Improvement 20%.

The voters of Tillman County approved a 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, 2012**

E. Interfund Transfer

Interfund transfers consisted of the transfer of funds to the County Highway Cash Fund from the County Bridge and Road Improvement Fund 105 in the amount of \$35,179 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 the County General Fund to the County Highway Cash Fund in the amount of \$70,000 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, 2012

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 240,052	\$ 240,052	\$ -
Less: Prior Year Outstanding Warrants	(73,941)	(73,941)	-
Beginning Cash Balances, Budgetary Basis	<u>166,111</u>	<u>166,111</u>	<u>-</u>
Receipts:			
Ad Valorem Taxes	388,337	422,299	33,962
Sales Tax	244,050	275,247	31,197
Charges for Services	31,530	36,227	4,697
Intergovernmental Revenues	144,490	150,622	6,132
Miscellaneous Revenues	22,082	18,679	(3,403)
Total Receipts, Budgetary Basis	<u>830,489</u>	<u>903,074</u>	<u>72,585</u>
Expenditures:			
County Sheriff	233,884	229,284	4,600
County Treasurer	68,251	64,712	3,539
County Clerk	66,826	66,260	566
Court Clerk	69,163	67,988	1,175
County Assessor	73,007	67,508	5,499
Revaluation of Real Property	87,797	78,081	9,716
General Government	108,749	51,197	57,552
Excise-Equalization Board	4,400	3,792	608
County Election Board	48,285	45,014	3,271
Insurance	227,336	211,430	15,906
Charity	500	247	253
Audit Budget	8,402	4,122	4,280
Total Expenditures, Budgetary Basis	<u>996,600</u>	<u>889,635</u>	<u>106,965</u>
Excess of Receipts and Beginning Cash			
Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	179,550	<u>\$ 179,550</u>
Interfund Transfers:			
Interfund Transfers In		70,000	
Interfund Transfers Out		<u>(70,000)</u>	
Total		<u>-</u>	
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		49,609	
Ending Cash Balance		<u>\$ 229,159</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, 2012**

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 98,564	\$ 98,564	\$ -
Less: Prior Year Outstanding Warrants	(10,102)	(10,102)	-
Beginning Cash Balances, Budgetary Basis	88,462	88,462	-
Receipts:			
Ad Valorem Taxes	57,888	63,354	5,466
Charges for Service	-	126,568	126,568
Intergovernmental	139,530	13,101	(126,429)
Miscellaneous Revenues	-	104	104
Total Receipts, Budgetary Basis	197,418	203,127	5,709
Expenditures:			
Health and Welfare	285,880	203,755	82,125
Total Expenditures, Budgetary Basis	285,880	203,755	82,125
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	87,834	\$ 87,834
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		11,589	
Ending Cash Balance		\$ 99,423	

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, 2012

	Beginning			Ending
	Cash Balances	Receipts		Cash Balances
	<u>July 1, 2011</u>	<u>Apportioned</u>	<u>Disbursements</u>	<u>June 30, 2012</u>
Remaining Aggregate Funds:				
Resale Property	\$ 93,049	\$ 40,184	\$ 27,590	\$ 105,643
Treasurer Mortgage Tax Certification Fee	39,867	2,050	448	41,469
County Clerk Lien Fee	9,819	3,281	1,555	11,545
County Clerk Records Preservation Fee	45,278	10,620	12,535	43,363
Assessor Revolving Fee	7,556	2,732	687	9,601
Assessor Visual Inspection	2,053	-	1,337	716
Sheriff Service Fee	41,442	145,179	126,125	60,496
Sheriff Reserve Deputy	1,038	-	-	1,038
Sheriff Commissary Fund	18,512	48,987	44,095	23,404
Sheriff Drug Fund	933	1,000	1,100	833
Insurance Deductible	16,188	-	4,594	11,594
Dispatch	49,788	165,969	174,104	41,653
Grandfield Law Enforcement	12,867	70,082	58,079	24,870
Emergency Management SLA Program	5,503	-	5,118	385
Community Service Sentence	1,555	-	-	1,555
Trash Cop	43	-	-	43
Unemployment Fund	3,035	-	-	3,035
Reward Fund	8	-	-	8
Combined Total - Remaining Aggregate Funds	<u>\$ 348,534</u>	<u>\$ 490,084</u>	<u>\$ 457,367</u>	<u>\$ 381,251</u>

**TILLMAN COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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 state statute.

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

**TILLMAN COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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.

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, 2012, 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, 2012, 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. 2012-1, 2012-2, 2012-4, and 2012-5.

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 are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2012-4.

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.



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, 2012**

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 - 2012-1— County-Wide Controls and Disaster Recovery Plans (Repeat Finding)

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 - 2012-2—Inadequate Segregation of Duties over Cash Receipts and Cash Balances (Repeat Finding)

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, 2012**

- 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, 2012**

Finding - 2012-4—Inadequate Internal Controls Over Purchasing Procedures and Noncompliance with State Statutes (Repeat Finding)

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 60 purchase orders revealed 7 instances in which noncompliance with state statutes was noted:

Office/Department	P.O. Number	Warrant Number	Noncompliance with State Statutes
Highway	52	1205	There were no invoices to support six receiving reports attached to the purchase order.
Highway	133	16	A receiving report was not attached to the purchase order.
Emergency 911	530	11	A receiving report was not attached to the purchase order and funds were not timely encumbered.
LEC Sales Tax	1253	7	A receiving report was not attached to the purchase order and funds were not timely encumbered.
Emergency 911	1726	37	A receiving report was not attached to the purchase order.
Sheriff Service Fee	2830	188	A receiving report was not attached to the purchase order and funds were not timely encumbered.
Sheriff DOC	3048	440	A receiving report was not attached to the purchase order and funds were not timely encumbered.

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 statute 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.

**TILLMAN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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 cash disbursements have supporting documentation, such as receiving reports and invoices attached to the purchase orders.

County Sheriff: Procedures will be implemented to ensure all cash 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.

Finding - 2012-5—Inadequate Internal Controls Over the Payroll Process (Repeat Finding)

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.

**TILLMAN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

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

- 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.

Criteria: Accountability and stewardship are overall goals of management in the account 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.

**TILLMAN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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 - 2012-9—Inadequate Internal Controls Over the Court Clerk Receipting Process (Repeat Finding)

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 for 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.

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.

**TILLMAN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Finding - 2012-10—Inadequate Segregation of Duties and Noncompliance with the State Statute Over the Inmate Trust Fund (Repeat Finding)

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 seven checks (#1973, #1982, #1983, #1984, #1998, #2006, #2011) totaling \$380.93, that were issued to payees not authorized by statute. Of these seven checks, 3 three checks (#1982, #1983, #1984) were not signed by the payer.

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 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.

Management Response:

County Sheriff: The Sheriff's department will work toward 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.

**TILLMAN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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 19 O.S. § 682, which requires all funds received under the color of office be deposited on a daily basis.

Finding - 2012-11—Internal Control Weakness and Noncompliance with State Statutes Over Fixed Assets and Consumable Inventories (Repeat Finding)

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

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.

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.

**TILLMAN COUNTY, OKLAHOMA
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

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 the 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.

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

**TILLMAN COUNTY, OKLAHOMA
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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.



OFFICE OF THE STATE AUDITOR & INSPECTOR
2300 N. LINCOLN BOULEVARD, ROOM 100
OKLAHOMA CITY, OK 73105-4896

WWW.SAI.OK.GOV