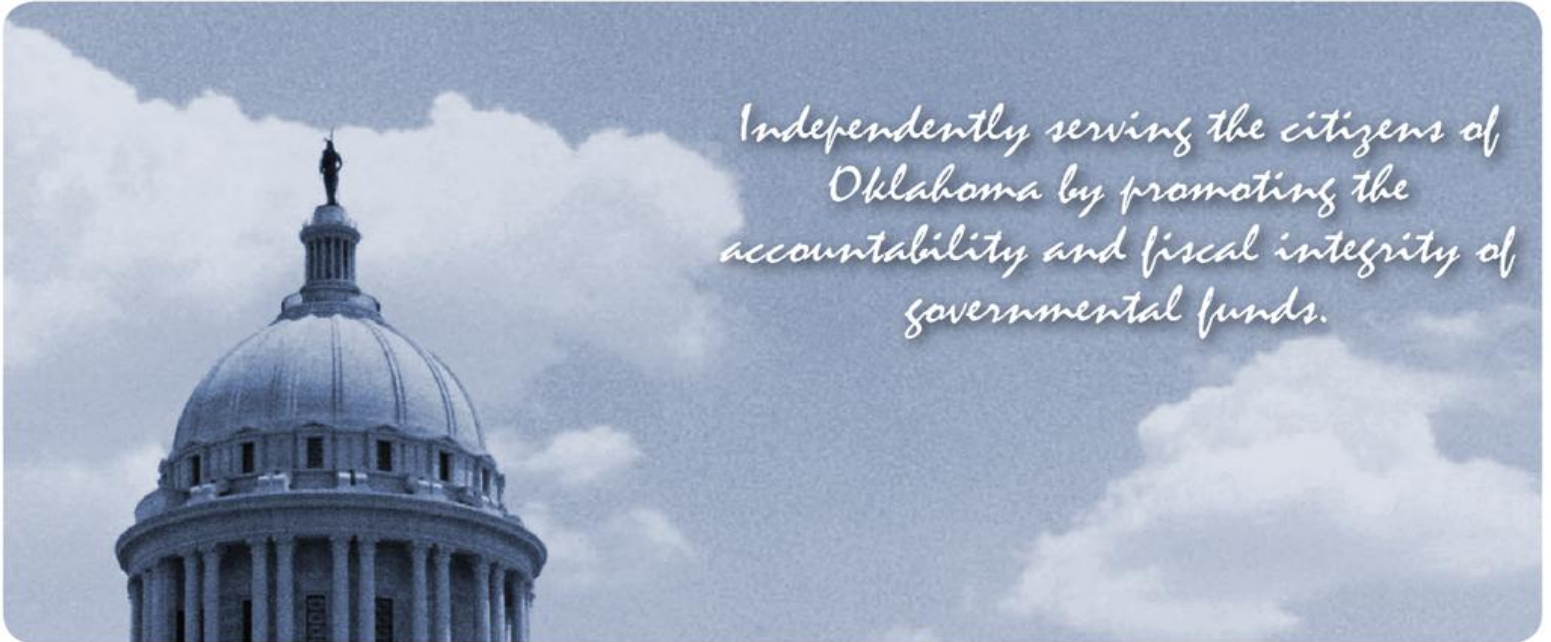


COUNTY AUDIT

# WAGONER COUNTY

For the fiscal year ended June 30, 2014



*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

**WAGONER COUNTY, OKLAHOMA  
FINANCIAL STATEMENT  
AND INDEPENDENT AUDITOR'S REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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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

August 13, 2015

TO THE CITIZENS OF  
WAGONER COUNTY, OKLAHOMA

Transmitted herewith is the audit of Wagoner County, Oklahoma for the fiscal year ended June 30, 2014. 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", is written over a horizontal line.

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

**WAGONER COUNTY, OKLAHOMA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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**WAGONER COUNTY, OKLAHOMA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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INTERNAL CONTROL AND COMPLIANCE SECTION

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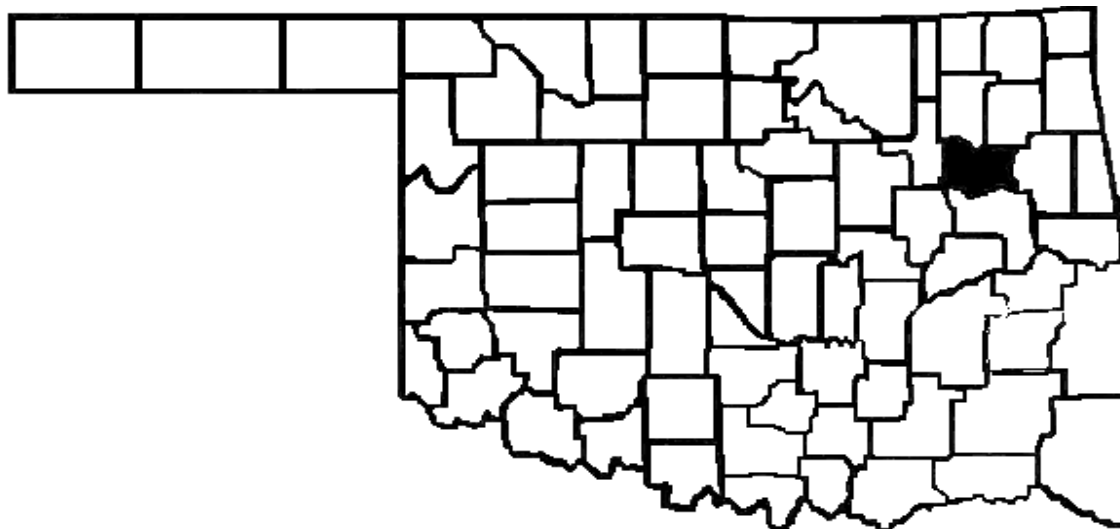
**Finding 2014-10 – Abuse of County Funds – County Sheriff:** The County Sheriff purchased ornamental trooper hats, coloring books, and coins/medallions that were personalized with his name. Also, forty Glock handguns were engraved with the Sheriff’s name. These purchases appear to be self promotion of the County Sheriff and not a necessary expenditure a prudent person would incur for the operation of the office. **(Pg. 22)**

**Finding 2014-12 – Missing Drug Buy Funds and Inadequate Drug Buy Ledgers – County Sheriff:** On October 22, 2011 and October 2, 2014 official depository vouchers were issued to the County Sheriff for the amounts of \$2,500.00 and \$1,000.00, respectively, to obtain cash to be used in undercover operations. Based on the documentation provided and interviews, it appears of the \$2,500.00 undercover operation money, the County Sheriff received \$450.00 in drug buy funds that is unaccounted for. Further, detailed records were not retained that reflect how the funds were expended. **(Pg. 25)**

**INTRODUCTORY SECTION  
UNAUDITED INFORMATION ON PAGES iii - ix  
PRESENTED FOR INFORMATIONAL PURPOSES ONLY**

**WAGONER COUNTY, OKLAHOMA  
STATISTICAL INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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Created at statehood, Wagoner is named for its major city which is also the county seat. An early settler of the area was Nathan Pryor, a member of the Lewis and Clark expedition, which was originally named at Three Forks, now called Okay. Pryor later moved to what is now Mayes County, where he established a trading post.

The main throughfare of the county was the Osage Trace, which became known as the Texas Road in 1826. During the Civil War, this route was heavily traveled. In 1866 the Texas Road became known as the East Shawnee Trail, one of the first cattle trails to cross the area. In the early 1870s the Missouri, Kansas, and Texas (KATY) railroad extended into the county.

While Tulsa's industrial area and the Port of Catoosa provide employment for many Wagoner County citizens, agriculture remains a basic element in the economy, with grain and cattle being of major importance.

Two books, *Three Forks Country and History of Wagoner County*, are sources of county information. The Wagoner Historical Society also serves the area. For additional information, call the county clerk's office at 918-485-2216.

County Seat – Wagoner

Area – 590.99 Square Miles

County Population –75,030  
(2012 est.)

Farms – 1,138

Land in Farms – 262,702 Acres

Primary Source: Oklahoma Almanac 2013-2014

**WAGONER COUNTY OFFICIALS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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**Board of County Commissioners**

District 1 – James Hanning  
District 2 – Chris Edwards  
District 3 – Tim Kelley

**County Assessor**

Sandy Hodges

**County Clerk**

Lori Hendricks

**County Sheriff**

Bob Colbert

**County Treasurer**

Dana Patten

**Court Clerk**

James Hight

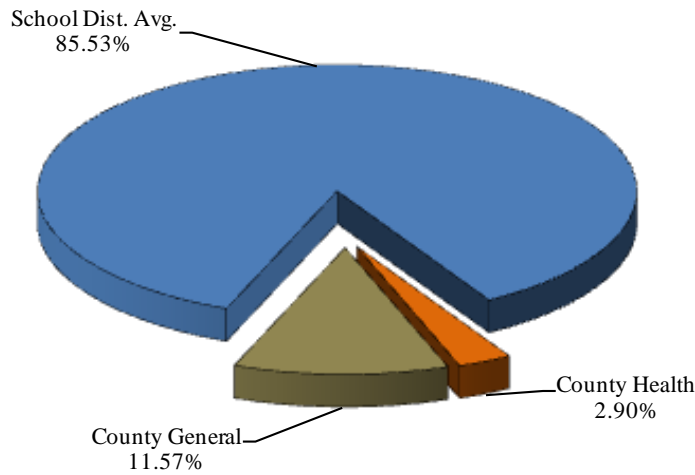
**District Attorney**

Brian Kuester



**WAGONER COUNTY, OKLAHOMA  
AD VALOREM TAX DISTRIBUTION  
SHARE OF THE AVERAGE MILLAGE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

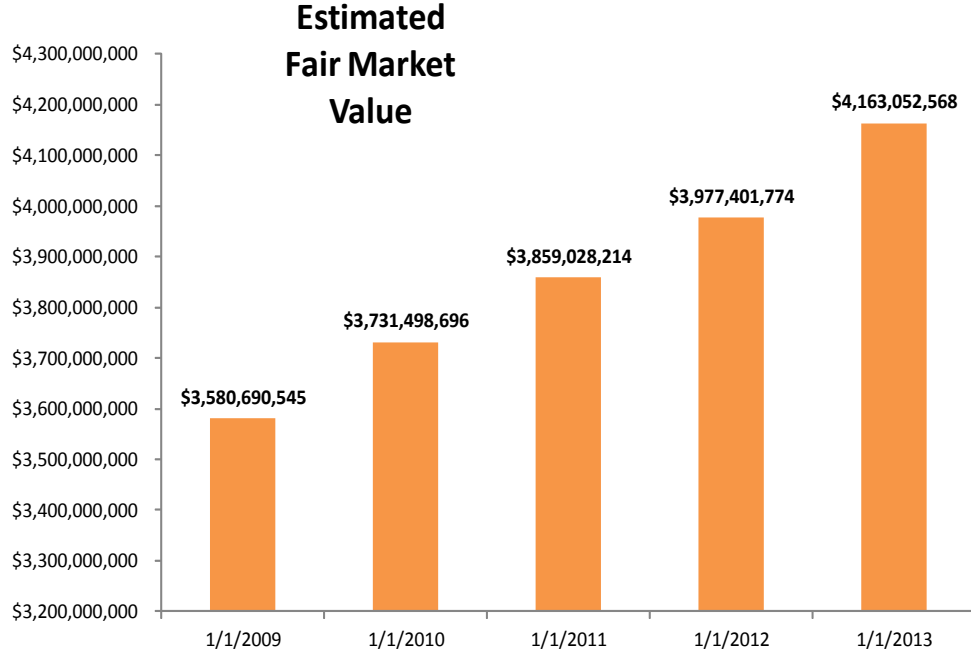
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the 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	10.31								
County Health	2.58	Coweta	I-17	36.19	5.17	29.45	10.14	4.13	85.08
		Okay	I-1	36.17	5.17	6.56	10.14	4.13	62.17
		Wagoner	I-19	35.79	5.11	15.36	10.14	4.13	70.53
<u>City Millages</u>		Porter	I-365	36.77	5.25	18.94	10.14	4.13	75.23
Bixby	13.50	Haskell	Musk 2	36.31	5.19	20.98	10.14	4.13	76.75
Broken Arrow	17.32	Ft. Gibson	Musk 3	35.51	5.07	11.46	10.14	4.13	66.31
Tulsa	20.24	Catoosa	Rogers 2	35.84	5.12	19.93	13.21	4.13	78.23
		Inola	Rogers 5	37.15	5.31	15.56	11.36	4.13	73.51
		Locust Grove	Mayes 17	38.84	5.55	26.48	11.36	4.13	86.36
		Mazie	Mayes 32	36.07	5.15	6.43	11.36	4.13	63.14
		Tulsa	Tulsa 1	35.55	5.16	23.71	13.21	4.13	81.76
		Broken Arrow	Tulsa 3	36.15	5.16	28.91	13.21	4.13	87.56
		Bixby	Tulsa 4	36.31	5.19	25.29	13.21	4.13	84.13

**WAGONER COUNTY, OKLAHOMA  
 ASSESSED VALUE OF PROPERTY  
 TREND ANALYSIS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2013	\$70,576,624	\$34,915,371	\$383,276,492	\$17,654,400	\$471,114,087	\$4,163,052,568
1/1/2012	\$57,780,961	\$34,440,454	\$374,659,004	\$22,976,451	\$443,903,968	\$3,977,401,774
1/1/2011	\$53,128,540	\$33,879,128	\$363,101,719	\$17,898,225	\$432,211,162	\$3,859,028,214
1/1/2010	\$52,425,628	\$30,132,223	\$353,177,549	\$17,807,546	\$417,927,854	\$3,731,498,696
1/1/2009	\$50,522,835	\$29,554,002	\$338,563,249	\$17,602,745	\$401,037,341	\$3,580,690,545

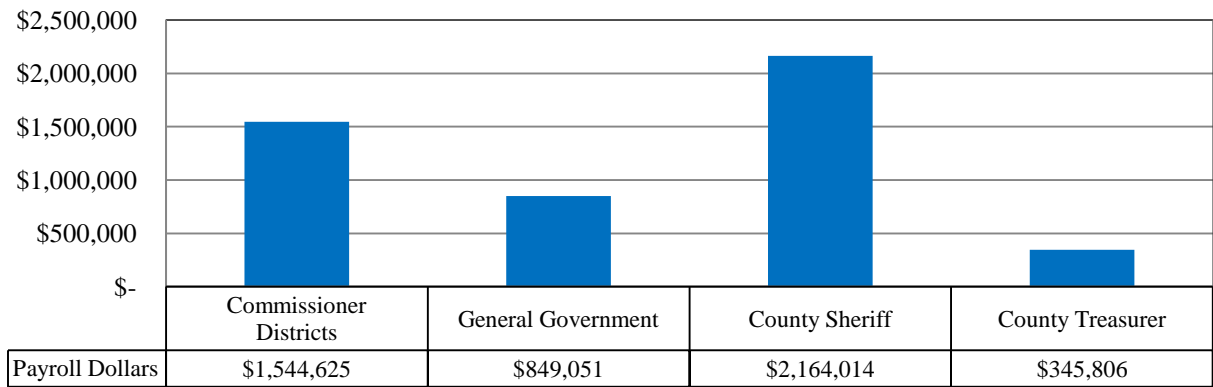


**WAGONER COUNTY, OKLAHOMA  
COUNTY PAYROLL EXPENDITURES ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

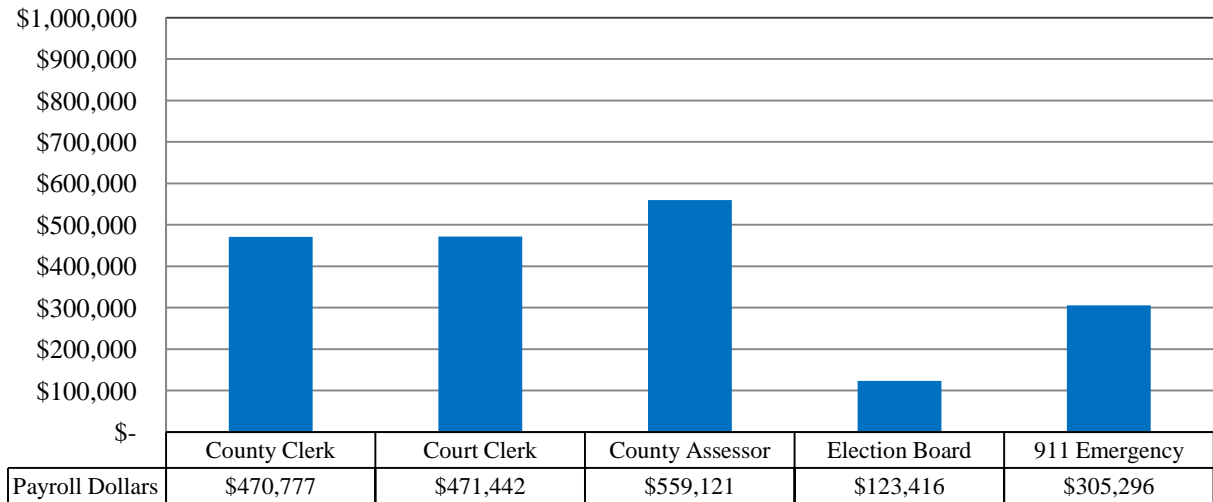
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County officers' salaries are based upon the assessed valuation and population of the counties. State statutes provide guidelines for establishing elected officers' salaries. The Board of County Commissioners sets the salaries for all elected county 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, 2014.

**Payroll Expenditures by Department**



**Payroll Expenditures by Department**

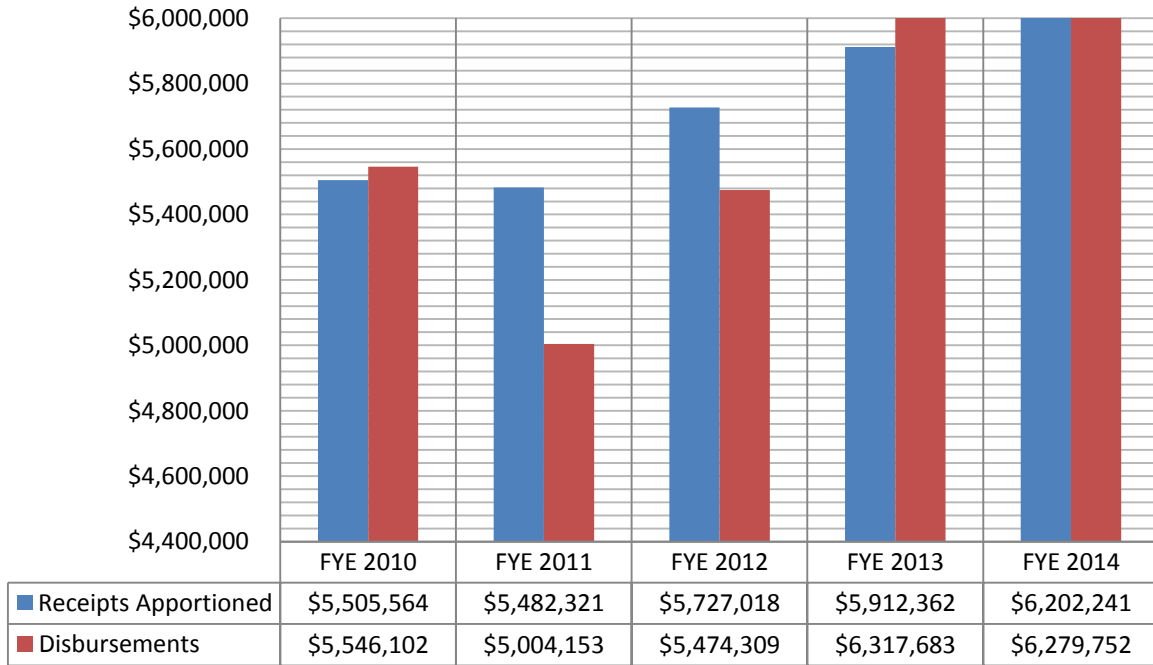


**WAGONER COUNTY, OKLAHOMA  
COUNTY GENERAL FUND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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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.

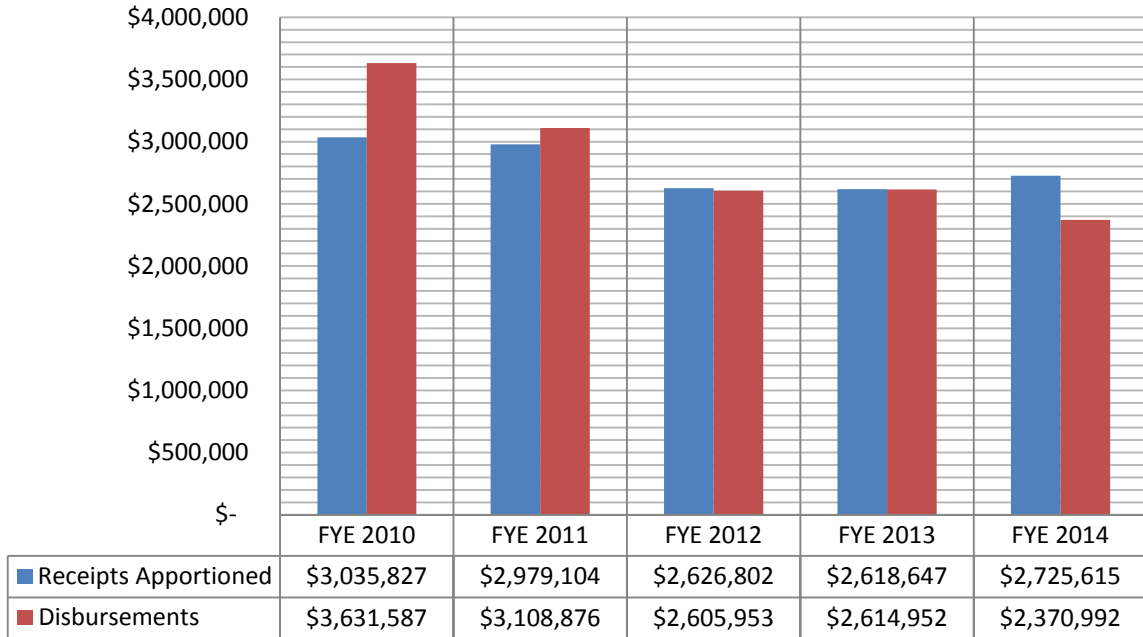


**WAGONER COUNTY, OKLAHOMA  
COUNTY HIGHWAY FUND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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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  
WAGONER COUNTY, OKLAHOMA

### ***Report on the Financial Statement***

We have audited the combined total—all county funds on the accompanying regulatory basis Statement of Receipts, Disbursements, and Changes in Cash Balances of Wagoner County, Oklahoma, as of and for the year ended June 30, 2014, listed in the table of contents as the financial statement.

### ***Management's Responsibility for the Financial Statement***

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

### ***Auditor's Responsibility***

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

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

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

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

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

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Wagoner County as of June 30, 2014, or changes in its financial position for the year then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash balances for all county funds of Wagoner County, for the year ended June 30, 2014, on the basis of accounting described in Note 1.

***Other Matters***

***Other Information***

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

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

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 12, 2015, on our consideration of Wagoner County’s internal control over financial reporting and on our tests



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

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

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

August 12, 2015

**REGULATORY BASIS FINANCIAL STATEMENT**

**WAGONER 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, 2014**

	Beginning Cash Balances July 1, 2013	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2014
Combining Information:						
Major Funds:						
County General Fund	\$ 2,472,996	\$ 6,202,241	\$ 500,000	\$ 500,000	\$ 6,279,752	\$ 2,395,485
1 Cent Sales Tax	4,450,940	4,959,400	500,000	500,000	5,418,563	3,991,777
County Health	1,739,324	1,325,763	-	-	1,197,016	1,868,071
T-Highway	1,404,735	2,725,615	-	-	2,370,992	1,759,358
Fire District Sales Tax	1,620,353	1,501,758	-	-	1,450,544	1,671,567
County Commissioners Use Tax	458,161	227,385	-	121,675	277,447	286,424
Special Economic Development	1,491,168	288,325	15,000	-	364,696	1,429,797
Remaining Aggregate Funds	8,486,769	2,429,842	114,625	-	2,745,855	8,285,381
<b>Combined Total - All County Funds</b>	<b>\$ 22,124,446</b>	<b>\$ 19,660,329</b>	<b>\$ 1,129,625</b>	<b>\$ 1,121,675</b>	<b>\$ 20,104,865</b>	<b>\$ 21,687,860</b>

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

**WAGONER COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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**1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

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

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

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

**B. Fund Accounting**

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

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

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

1 Cent Sales Tax – accounts for the collection of sales tax revenue and disbursements are for the purpose of operational expenditures for general government, Sheriff's office, and the maintenance of county roads and highway.

County Health – revenues are from ad valorem taxes, miscellaneous fees charged by the health department and state and federal funds. Disbursements are from the operation of the county health department.

T-Highway – revenues are from state imposed fuel taxes. Disbursements are for the maintenance and construction of county roads and bridges.

Fire District Sales Tax – accounts for the sales tax collections received for operating and maintaining the various fire districts.

**WAGONER COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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County Commissioners Use Tax – revenues are from the monthly use tax allocations. Disbursements were at the discretion of the Board of County Commissioners for any lawful expense of the County.

Special Economic Development – revenues are from the monthly use tax allocation, federal grants, and state grants. Disbursements are for economic development within Wagoner County.

**C. Basis of Accounting**

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

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

**D. Budget**

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

**E. Cash and Investments**

For the purposes of financial reporting, “Ending Cash Balances, June 30” includes cash and cash equivalents and investments as allowed by statutes. The County pools the cash of its various funds in maintaining its bank accounts. However, cash applicable to a particular fund is readily identifiable on the County’s books. The balance in the pooled cash accounts is available to meet current operating requirements.

**WAGONER COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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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**

**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 writing OPERS, P.O. Box 53007, Oklahoma City, Oklahoma 73105 or by calling 1-800-733-9008.

**WAGONER COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

**B. Other Post Employment Benefits (OPEB)**

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

**C. Contingent Liabilities**

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

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

**D. Sales Tax**

On August 22, 2006, Wagoner County voters approved to continue the levy, an excise (sales) tax of one percent (1%) upon the gross proceeds from all sales to any person taxable under the sales tax law of Oklahoma, as was originally approved by a majority of the votes of Wagoner County on March 8, 1988. The monthly income of the revenue of said tax is pledged to the county roads in the amount of eighty percent (80%), to the Sheriff's office in an amount of ten percent (10%), and general government in the amount of ten percent (10%). The duration of the life of the tax is to be until April 1, 2018, which is 10 years after the August 19, 2002 Resolution, and eliminate the .85% sales tax pursuant to the county courthouse renovation as of September 1, 2006; effective date January 1, 2007. These funds are accounted for in the 1 Cent Sales Tax fund.

On February 15, 2007, Wagoner County voters approved a fifteen-hundredth of one percent (.15%) sales tax, which increases the current Wagoner County Fire Tax to thirty-hundredth of one percent (.30%). The purpose of the proceeds of this tax is to provide funding for the fire departments in the following communities: Wagoner, Taylor Ferry, Toppers, Tullahassee, Whitehorn, Coweta, Oak Grove, Rolling Hills, Flat Rock, Okay, Red Bird, Porter, Stone Bluff, and Broken Arrow. The proceeds are to be split as follows: 95% of the fifteen-hundredth of one percent will be split evenly between the fourteen departments and 5% of the fifteen-hundredth of one percent will be placed in a cash fund account to be used for such other fire protection services

**WAGONER COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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as may be deemed necessary by the Board of County Commissioners. This makes the existing Wagoner County Fire Excise (Sales) Tax of .15% permanent. This adds Broken Arrow Fire Department as an equal recipient of the current Wagoner County Fire Excise (Sales) Tax of .15%; effective date per Oklahoma Tax Commissioner is July 1, 2007. These funds are accounted for in the Fire District Sales Tax fund.

**E. Interfund Transfers**

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

- \$500,000 was transferred from the County General Fund to the 1 Cent Sales Tax fund for repayment of the loan in accordance with 68 O.S. § 3021.
- \$500,000 was transferred from the 1 Cent Sales Tax fund to County General Fund to meet requirements of appropriations in accordance with 68 O.S. § 3021.
- \$13,950 was transferred from the Excess Resale fund (trust and agency fund) to the Resale Property fund in accordance with 68 O.S. § 3131(C).
- \$121,675 from the County Commissioners Use Tax fund to the following funds:
  - Special Economic Development fund - \$15,000
  - Step Program Cash Fund - \$1,325
  - Civil Defense Cash Fund - \$99,350
  - Drug Court (trust and agency fund) - \$6,000

Monies received for use tax is apportioned to the County Commissioners Use Tax and Special Economic Development funds. As per Board of County Commissioners' resolution this money can be used for any lawful expenditure. Instead of expending the money from the funds where it was originally apportioned, the Board of County Commissioners made transfers to the funds listed above.



**OTHER SUPPLEMENTARY INFORMATION**

**WAGONER 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, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Beginning Cash Balances	\$ 2,472,996	\$ 2,472,996	\$ -
Less: Prior Year Outstanding Warrants	(319,153)	(319,203)	(50)
Less: Prior Year Encumbrances	(78,039)	(54,669)	23,370
Beginning Cash Balances, Budgetary Basis	<u>2,075,804</u>	<u>2,099,124</u>	<u>23,320</u>
Receipts:			
Ad Valorem Taxes	4,361,892	4,776,310	414,418
Charges for Services	294,659	309,739	15,080
Intergovernmental Revenues	924,364	946,508	22,144
Miscellaneous Revenues	138,611	169,684	31,073
Total Receipts, Budgetary Basis	<u>5,719,526</u>	<u>6,202,241</u>	<u>482,715</u>
Expenditures:			
County Sheriff	1,974,525	1,960,358	14,167
County Treasurer	169,322	164,117	5,205
County Commissioners	212,500	210,804	1,696
County Commissioners-OSU Extension	82,506	81,904	602
County Clerk	452,500	433,168	19,332
Court Clerk	205,000	202,572	2,428
County Assessor	267,983	234,172	33,811
Revaluation of Real Property	721,040	646,042	74,998
General Government	1,704,121	663,180	1,040,941
Excise-Equalization Board	7,700	6,641	1,059
County Election Expense	179,870	143,798	36,072
Insurance	1,572,652	1,379,406	193,246
Purchasing Agent	49,000	48,156	844
County Audit Budget	137,611	17,329	120,282
Storm Water Management	59,000	52,381	6,619
Total Expenditures, Budgetary Basis	<u>7,795,330</u>	<u>6,244,028</u>	<u>1,551,302</u>
Excess of Receipts and Beginning Cash			
Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	2,057,337	<u>\$ 2,057,337</u>
Operating Transfers:			
Operating Transfers In		500,000	
Operating Transfers Out		<u>500,000</u>	
Net Operating Transfers		<u>-</u>	
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		4,674	
Add: Current Year Outstanding Warrants		271,894	
Add: Current Year Encumbrances		61,580	
Ending Cash Balance		<u>\$ 2,395,485</u>	

**WAGONER 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, 2014**

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	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Beginning Cash Balances	\$ 1,739,228	\$ 1,739,324	\$ 96
Less: Prior Year Outstanding Warrants	(4,843)	(4,843)	-
Less: Prior Year Reserves	<u>(428,608)</u>	<u>(398,633)</u>	<u>29,975</u>
Beginning Cash Balances, Budgetary Basis	<u>1,305,777</u>	<u>1,335,848</u>	<u>30,071</u>
Receipts:			
Ad Valorem Taxes	1,091,531	1,195,236	103,705
Charges for services	-	128,907	128,907
Miscellaneous Revenues	<u>11,443</u>	<u>1,620</u>	<u>(9,823)</u>
Total Receipts, Budgetary Basis	<u>1,102,974</u>	<u>1,325,763</u>	<u>222,789</u>
Expenditures:			
Health and Welfare	<u>2,408,751</u>	<u>907,434</u>	<u>1,501,317</u>
Total Expenditures, Budgetary Basis	<u>2,408,751</u>	<u>907,434</u>	<u>1,501,317</u>
Excess of Receipts and Beginning Cash Balances Over Disbursements, Budgetary Basis	<u>\$ -</u>	1,754,177	<u>\$ 1,754,177</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		80	
Add: Current Year Reserves		25,328	
Add: Current Year Outstanding Warrants		<u>88,486</u>	
Ending Cash Balance		<u>\$ 1,868,071</u>	

**WAGONER COUNTY, OKLAHOMA**  
**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND**  
**CHANGES IN CASH BALANCES—REGULATORY BASIS—**  
**REMAINING AGGREGATE FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	Beginning Cash Balances July 1, 2013	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2014
Remaining Aggregate Funds:						
Treasurer Mortgage Certification	\$ 352,259	\$ 17,415	\$ -	\$ -	\$ 13,385	\$ 356,289
REAP Grant 1 RHFD	-	1,448	-	-	-	1,448
Community Sentencing Council	81,880	50,550	-	-	10,018	122,412
Resale Property	698,667	350,048	13,950	-	325,494	737,171
Storm Shelter Rebate	2,040	2,000	-	-	-	4,040
Law Enforcement/Corp of Engineers	83,809	31,960	-	-	28,049	87,720
Home Detention	1,663	-	-	-	-	1,663
County Clerk Lien Fee	78,512	25,778	-	-	57,252	47,038
Sheriff Fee Cash Fund	417,979	315,429	-	-	316,175	417,233
Sheriff JAG Recovery Grant	10,935	270	-	-	-	11,205
Assessor Visual Inspection	16	-	-	-	-	16
Assessor Revolving	1,704	1,210	-	-	-	2,914
Community Sentencing - DOC	57,446	48,862	-	-	91,462	14,846
County Clerk Records Preservation	187,249	76,465	-	-	135,547	128,167
REAP Grant	7,807	-	-	-	-	7,807
County Bridge Road Improvement	391,782	243,879	-	-	88,358	547,303
OHSO Grant	15,627	-	-	-	-	15,627
Sheriff Contract Prison	159,872	315,711	-	-	156,628	318,955
MD "Catch" Grant	76,669	-	-	-	-	76,669
Sheriff Commissary Fund	81,683	95,472	-	-	49,118	128,037
Planning and Zoning	93,795	223,009	-	-	150,755	166,049
Youth Graduated Sanction (STEP) Grant	192	280	-	-	172	300
Courthouse Building and Maintenance	5,169,865	9,752	-	-	553,350	4,626,267
Energy Efficiency Conservation Block Grant	6,997	-	-	-	6,997	-
STEP Program Cash Fund	19,200	50	1,325	-	11,377	9,198
REAP Fairground	931	-	-	-	931	-
Guardrail EODD REAP	15,000	-	-	-	15,000	-
Radio Tower EODD REAP	15,000	-	-	-	15,000	-
Gray Oaks Road EODD REAP	-	9,621	-	-	9,621	-
Fire Hydrant EODD REAP	-	56,069	-	-	56,069	-
Porter Radios EODD REAP	-	14,000	-	-	14,000	-
Micro Overlay Okay EODD REAP	-	20,000	-	-	20,000	-
Wagoner County Recreational Complex	150	450	-	-	150	450
Stone Bluff Senior Citizen Trust Authority	46	-	-	-	-	46
Juvenile Offender Program	1,537	610	-	-	1,434	713
911 Emergency Cash	418,283	490,592	-	-	481,354	427,521
Civil Defense Cash Fund	37,885	28,912	99,350	-	138,159	27,988
Stone Bluff East Central Electric Donation	289	-	-	-	-	289
<b>Combined Total - Remaining Aggregate Funds</b>	<b>\$ 8,486,769</b>	<b>\$ 2,429,842</b>	<b>\$ 114,625</b>	<b>\$ -</b>	<b>\$ 2,745,855</b>	<b>\$ 8,285,381</b>

**WAGONER COUNTY, OKLAHOMA  
NOTES TO OTHER SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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**1. Budgetary Schedules**

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

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

**2. Remaining County Funds**

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

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

REAP Grant 1 RHFD – accounts for revenues from Eastern Oklahoma Development Grant to reimburse expenses for remodeling the Rolling Hills Fire Department.

Community Sentencing Council – accounts for funds received from the Oklahoma Department of Corrections to reimburse the County for the expense of administering the Community Service Sentencing Program.

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

Storm Shelter Rebate – accounts for federal grant funds received for the reimbursement of storm shelter installation.

Law Enforcement/Corp of Engineers – accounts for monies received from the Corp of Engineers to provide additional lake patrol.

Home Detention – accounts for reimbursement from the Tulsa County Juvenile Bureau to the County Sheriff for the detention and supervision of juveniles.

**WAGONER COUNTY, OKLAHOMA  
NOTES TO OTHER SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

Sheriff Fee Cash Fund – accounts for revenues from fees charged by the Sheriff for services and disbursements are for any lawful expense of the Sheriff’s office.

Sheriff JAG Recovery Grant – accounts for revenues from a federal grant and disbursements are for the purchasing of law enforcement equipment for the Sheriff’s office.

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

Assessor Revolving – accounts for the collection of fees for copies and disbursed as restricted by state statute.

Community Sentencing - DOC – accounts for monies received from the Oklahoma Department of Corrections for administrative expenses and supervision of offenders.

County Clerk Records Preservation – accounts for fees collected for instruments filed in the County Clerk’s office and disbursements are for the preservation of records as restricted by state statute.

REAP Grant – accounts for state grant monies received for road and highway improvements in Wagoner County.

County Bridge Road Improvement – allocation from state grant monies collected from road/highway improvements in Wagoner County.

OHSO Grant – accounts for grant monies received from the State of Oklahoma and disbursed as restricted by the grant requirements.

Sheriff Contract Prison – accounts for revenues from the Department of Corrections for the housing and care of inmates.

MD “Catch” Grant – accounts for revenues received from St. Francis Health System Foundation to fund the Wagoner County Health Department. Disbursements are for the payment of salaries and other needs related to client education for a healthy lifestyle.

Sheriff Commissary Fund – accounts for the collection of fees transferred from the inmate trust account for commissary items and disbursement of funds as restricted by state statute.

Planning and Zoning – accounts for fees collected for permits and disbursements are for salaries and office supplies.

**WAGONER COUNTY, OKLAHOMA  
NOTES TO OTHER SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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Youth Graduated Sanction (STEP) Grant – accounts for grants and fees collected from juvenile offenders who participate in the program. Disbursements are for drug testing of participants and administrative costs of the program.

Courthouse Building and Maintenance – accounts for revenues from sales tax collected for voter approved renovations and improvements to the courthouse and related structures.

Energy Efficiency Conservation Block Grant – accounts for revenues received from a federal grant for the purpose of energy efficiency and conservation projects in Wagoner County.

STEP Program Cash Fund – accounts for state grants to provide funding for STEP program to keep juveniles in school.

REAP Fairground – accounts for monies from a state grant for the purpose of construction or maintenance at fairgrounds.

Guardrail EODD REAP – accounts for state grant monies collected for guardrail replacement or installation.

Radio Tower EODD REAP – accounts for state grant monies collected for radio tower installation reimbursement.

Gray Oaks Road EODD REAP – accounts for state grant monies collected to improve the shoulder on Gray Oaks Road.

Fire Hydrant EODD REAP – accounts for state grant monies collected for the purchase and installation of fire hydrants in District 1.

Porter Radios EODD REAP – accounts for state grant monies collected for the purchase of radios for Okay and Porter Fire Departments.

Micro Overlay Okay EODD REAP – accounts for state grant monies collected for micro resurface of streets in Okay.

Wagoner County Recreational Complex – accounts for receipt of monies received for rental of recreational facility. Disbursements are for reimbursement of deposits made for rental of facility.

Stone Bluff Senior Citizen Trust Authority – accounts for receipt of monies from Special Economic Development Authority for the purpose of overseeing senior citizen center expenditures.

**WAGONER COUNTY, OKLAHOMA  
NOTES TO OTHER SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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Juvenile Offender Program – accounts for receipt of monies from fees collected. Disbursements are for salaries and office needs for the purpose of intervention of troubled first time offenders.

911 Emergency Cash – accounts for the collection of fees charged on telephone bills for the County’s emergency 911 system. Disbursements are for expenditures related to providing 911 services.

Civil Defense Cash Fund – accounts for revenues from state and federal funds and disbursements are for civil defense.

Stone Bluff East Central Electric Donation – accounts for donations from East Central Electric for the purpose of purchasing appliances for the senior citizen center.



**INTERNAL CONTROL AND COMPLIANCE SECTION**



# Oklahoma State Auditor & Inspector

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

TO THE OFFICERS OF  
WAGONER COUNTY, OKLAHOMA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined total—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Wagoner County, Oklahoma, as of and for the year ended June 30, 2014, which comprises Wagoner County's financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated August 12, 2015.

Our report included an adverse opinion on the financial statement because the statement is prepared using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County for the year ended June 30, 2014, on the basis of accounting prescribed by Oklahoma state law, described in Note 1.

### **Internal Control Over Financial Reporting**

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

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

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 deficiency described in the accompanying schedule of findings and responses to be a material weakness: 2014-1.

## **Compliance and Other Matters**

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

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

## **Wagoner County's Responses to Findings**

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

## **Purpose of this Report**

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

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



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

August 12, 2015

**WAGONER COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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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 2014-1 - Inadequate County-Wide Controls (Repeat Finding)**

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

**Cause of Condition:** Policies and procedures have not been designed to address risks of the County.

**Effect of Condition:** These conditions could result in unrecorded transactions, undetected errors, or misappropriation of funds.

**Recommendation:** The Oklahoma State Auditor & Inspector's Office (OSAI) recommends that the County design procedures to identify and address risks. OSAI also recommends that the County design monitoring procedures to assess the quality of performance over time. These procedures should be written policies and procedures and could be included in the County's policies and procedures handbook.

**Management Response:**

**Chairman, Board of County Commissioners, County Clerk, and County Treasurer:** Going forward a series of meetings will take place between the Chairman of the Board of County Commissioners, the County Clerk, and County Treasurer. The purpose of such meetings are to develop of framework and to compose a narrative for County policies and procedures from which areas of risks may be identified and controls put in place to mitigate them. Their meetings will be ongoing and the resulting documentation will be assessed and updated continuously.

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

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

Monitoring is a component of internal control which should assess the quality of performance over time and ensure that the findings of audits and other reviews are promptly resolved. Ongoing monitoring occurs during normal operations and includes regular management and supervisory activities,

**WAGONER COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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comparisons, reconciliations, and other actions people take in performing their duties. It includes ensuring that management know their responsibilities for internal control and the need to make control monitoring part of their regular operating process.

**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 2014-4 - Inadequate Segregation of Duties – Court Clerk (Repeat Finding)**

**Condition:** Upon inquiry and observation of the Court Clerk’s office, we noted the following weaknesses with regard to internal controls related to the receipting and the expenditure processes.

Receipting Process:

- All employees operate from the same cash drawer.
- One employee issues receipts, balances the cash drawer, prepares deposits, takes the deposit to the Treasurer, and reconciles daily receipts to the cash book.

Expenditure Process:

- One employee orders goods/services, prepares vouchers, prints vouchers, takes vouchers to be registered, picks up vouchers from County Treasurer, signs vouchers, distributes vouchers, reconciles accounts, has access to make changes and voids in system, and prepares quarterly and annual reports.

**Cause of Condition:** Policies and procedures have not been designed and implemented to adequately segregate the duties of the receipting and expenditure processes within the office of the Court Clerk.

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

**Recommendation:** OSAI recommends that 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. Regarding the receipting process, OSAI recommends that one employee should not be performing all of the duties regarding issuing receipts, balancing the cash drawer, preparing the deposit, and delivering the deposit to the County Treasurer’s office. Further, we recommend that all employees issuing receipts operate from separate cash drawers. The cash drawer should be closed out, reconciled to the employees daily receipts, and be approved by someone independent of the cash drawer and making the deposit.

**WAGONER COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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OSAI also recommends the following key accounting functions of the disbursement be adequately segregated as follows:

- Preparing claims.
- Reviewing voucher report to claims.
- Printing vouchers.
- Signing and registering vouchers with the County Treasurer.
- Reconciling monthly and quarterly reports with the County Treasurer.

**Management Response:**

**Court Clerk:** The suggestion of separate cash drawers for each Deputy Court Clerk is noted. I will continue to operate on the principle of “Calculated Risk.” The utilization of separate cash drawers would actually work as a detriment to the efficient operation of the office. There has never been a day when our cash drawer has not balanced with the receipts. Should this change or otherwise become a problem, this suggestion will be re-visited. All of the Deputy Court Clerks, given the increasing work load of the office, are required to participate in the taking of payments and the issuance of receipt the same. Two employees are tasked during the week with responsibilities for balancing the cash drawer and taking deposits to the Treasurer’s office. If these two individuals are out of the office, other Deputy Clerks assume this responsibility.

The checks and balances incorporated into the vouchering system have functioned well to this point. The main check and balance is the appointment of two “receiving officers” who are not involved with preparing claims, printing vouchers, or involved in the reconciliation process. Their sole function is to determine if goods and services ordered are in fact received and that proper invoices are submitted for these items. The Court Clerk and either the District Judge or Associate District Judge must sign all claims from the Court Clerk and Court Clerk Revolving Fund. In the case of intangible items, such as court appointed attorneys, the District Judge signs the receiving report. The Court Clerk reviews, as does the County Clerk, all vouchers, claims, and financial disbursements on a routine basis.

**Auditor Response:** The duties regarding the collections and disbursements processes are not adequately segregated.

**Criteria:** Accountability and stewardship are over all 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 2014-5 - Inadequate Internal Controls Over Reconciliations – Court Clerk (Repeat Finding)**

**Condition:** While reviewing the reconciliation reports for the Court Clerk Revolving Fund we noted the following:

**WAGONER COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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- The Court Clerk Revolving Fund quarterly report balance was not reconciled to the County Treasurer's balance at June 30, 2014.

**Cause of Condition:** Policies and procedures have not been implemented to ensure the Court Clerk Revolving Fund balances are reconciled to the County Treasurer's general ledger balances.

**Effect of Condition:** These conditions could result in inaccurate reports or incomplete records.

**Recommendation:** OSAI recommends the Court Clerk Revolving Fund balance be reconciled to the County Treasurer's general ledger.

**Management Response:**

**Court Clerk:** All future reconciliations will be reconciled to the County Treasurer's general ledger.

**Criteria:** Safeguarding controls are an aspect of internal control. Safeguarding controls relate to the prevention or timely detection of unauthorized transactions and unauthorized access to assets. Failure to perform tasks that are part of internal controls, such as reconciliations not prepared or not timely prepared, are deficiencies in internal control.

**Finding 2014-10 – Abuse of County Funds – County Sheriff**

**Condition:** During the course of our audit work, it was brought to our attention that the County Sheriff had purchased several items from vendors and subsequently had those items personalized with his name on them.

OSAI noted the following purchase of items that were personalized with the County Sheriff's name:

- On May 21, 2013 purchase order 7409 for the amount of \$1,109.86 was requisitioned from the 1 Cent Sales Tax fund by the Wagoner County Undersheriff for the purchase of 1,000 ornamental trooper hats. The hats were personalized with the County Sheriff's name.
- On January 16, 2014 purchase order 4612 for the amount of \$2,265.00 was requisitioned from the Sheriff Fee Cash Fund by the County Sheriff for the purchase of bracelets and coloring books. The bracelets and coloring books were for bullying awareness. The coloring books were personalized with the County Sheriff's name, however the bracelets were not personalized.
- On April 15, 2014 purchase order 6652 for the amount of \$16,360.00 was requisitioned from the 1 Cent Sales Tax fund by the County Undersheriff for the purchase of forty Glock Model 22 handguns. Subsequently, on June 5, 2014 purchase order 7748 for the amount of \$969.16 was requisitioned from the Sheriff Fee Cash Fund by the County Undersheriff for the purchase of engraving on forty Glock pistols. The pistols were personalized by engraving the County Sheriff's name on them.
- On August 21, 2014 purchase order 1487 for the amount of \$2,950.00 was requisitioned from the Sheriff Fee Cash Fund by County Undersheriff for the purchase of coins/medallions. The medallions were personalized with the County Sheriff's name on one side and badge number on the other. There was no contact information on the medallions.

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While interviewing the County Sheriff about the above items, he stated:

- The plastic trooper hats and coloring books are merely tools to help foster relationships with children in the community and are in no way campaign material.
- He was not in favor of the engraving of his name on the Glock handguns, but his Undersheriff and Major felt that having service weapons provided to deputies was a milestone that needed to be acknowledged and they proceeded with having the County Sheriff's name engraved on the handguns.
- He stated the coins/medallions are the business cards of the future and he uses them as such.

Additionally, OSAI noted that approximately twenty-five of the medallions had been sold for \$4.00 and \$5.00 each for a total of \$103.00 which was deposited in the County Sheriff's official depository account. When questioned about the selling of some of the coins/medallions, he stated that it was just an attempt to recoup part of the cost of the coins/medallions. There was no inventory maintained to document the number of medallions that should be on hand.

Although, it would not be necessary to have the coloring books and ornamental trooper hats personalized with the Sheriff's name on these items, it appears they could be used to foster relationships and create awareness with the children in the community.

In accordance with Title 19 O.S. § 514.1 monies from the Sheriff Fee Cash Fund shall be expended by the County Sheriff in the lawful operation of his office. The expenditures for personalization of the handguns and medallions appear to be self promotion of the County Sheriff and not a necessary expenditure a prudent person would incur for the operation of the office.

**Cause of Condition:** Policies and procedures have not been designed and implemented with regard to use of county funds for personal gain or self promotion. Also, County policy was not followed for the personal use of County property.

**Effect of Condition:** This condition resulted in the abuse of County funds for self promotion.

**Recommendation:** OSAI recommends the County establish policies and procedures to ensure County funds are not used by an elected official for self promotion.

**Management Response:**

**County Sheriff:** The coloring books and trooper hats are a way to build a rapport with the youth of Wagoner County and to encourage them to work with us and not against us.

The purchase of the guns in the Wagoner County Sheriff's Office was a milestone; it was the first time service weapons were provided to all deputies. The idea for engraving my name was the idea of my administration. The engraving is not visible or readily available to the general public and therefore would not be for self promotion.

The coins are used as a way to foster relations with the citizens of Wagoner County and to build a rapport with the County Sheriff's office. These types of coins are used locally and throughout the United States



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by Sheriffs' offices. The coins are typically designed to be representative of the Sheriff's badge which includes the Sheriff's name. As an elected official, there is value to the public in the Sheriff's name, as there is in all elected officials. And for these to be considered self promotion or use for personal gain it would have to be during an election as they were not.

**Auditor Response:** In accordance with Title 19 O.S. § 514.1 monies from the Sheriff Fee Cash Fund should be used for the lawful operation of the Sheriff's office. Further, expenditures of public funds should be used in a prudent manner for reasonable and necessary expenses.

**Criteria:** Good internal controls require monitoring of expenditures and all related supporting documentation to ensure that County funds are not abused or used for personnel gain. Additionally, the County's Personnel Policy Handbook states, "No County official or employee may use County property for his or her own personal use or for any other use not required by their duties with Wagoner County."

**Finding 2014-11 – Inadequate Internal Controls and Noncompliance Over Fixed Assets – County Sheriff Firearms**

**Condition:** During the course of our audit work, it was brought to our attention that there were two (2) AR-15 assault rifles serial numbers WW001649 and LGC029083 and a Glock handgun serial number BXP625 that were missing from the Sheriff's office. During our review of the inventory records filed with the County Clerk and records maintained in the County Sheriff's office and interviews, the following was noted:

The inventory records filed in the County Clerk's office at June 30, 2014 did not include one AR-15 rifle and the Glock handgun with serial number LGC029083 and BXP625, respectively. However, the current inventory list maintained by the County Sheriff's inventory clerk did include all three guns, with the Glock handgun being added during February 2015.

The AR-15 rifle, serial number WW001649, was assigned on April 6, 2015 to a Wagoner County Sheriff's Deputy and was visually verified by OSAI on April 20, 2015.

The Glock handgun, serial number BXP625, was being stored in the Sheriff's office evidence/storage vault and was visually verified by OSAI on April 14, 2015.

While interviewing the County Sheriff on April 28, 2015 he stated the AR 15 rifle, serial number LGC029083, was burned in a fire at a County Deputy's home and unfortunately the Sheriff's inventory clerk failed to properly assign and track it.

On August 11, 2015 OSAI received the County Sheriff's management response to this finding which stated the gun, an AR-15 rifle, serial number LGC029083, was issued to a different County Deputy and on August 28, 2012 it was stolen out of their patrol unit.

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On August 12, 2015, OSAI obtained a police report from the City of Tulsa verifying the AR-15 rifle serial number LGC029083 was reported stolen on August 28, 2012. OSAI obtained a copy of the County Sheriff's Office property inventory list for this Deputy to verify the AR-15 rifle was assigned to the Deputy. The Deputy's property inventory list did not reflect the AR-15 serial number LGC029083 had been assigned to the Deputy.

Based on the information provided, the County Sheriff's inventory records are not kept up to date and are not maintained in a manner to safeguard and track County assets at all times.

**Cause of Condition:** Procedures have not been designed and implemented with regard to effective internal controls over safeguarding of fixed assets by performing an annual physical inventory count, and creating and maintaining of a fixed asset inventory record.

**Effect of Condition:** This condition resulted in noncompliance with state statute and unrecorded transactions, and could result in misappropriation of assets.

**Recommendation:** OSAI recommends the County comply with 19 O.S. § 178.1 by performing and documenting a periodic inventory of fixed assets. The verification should be performed by an individual independent of the fixed asset recordkeeping process.

**Management Response:**

**County Sheriff:** The AR-15 serial number LGC029083 was issued to a Deputy and on August 28, 2012 his patrol unit was broken into and the AR-15 and a shotgun were stolen. The inventory clerk is responsible for the inventory tracking and bar coding of all property of the Wagoner County Sheriff's Office. The AR-15 was taken out of the inventory but not out of the master inventory. When the inventory clerk informed me of the missing gun, I assumed it was the one that burnt in another deputy's house fire. However, after further investigation, it was determined that was incorrect. We have taken steps to maintain an accurate inventory to include purchasing an elaborate bar coding system for this very reason. This incident will be dealt with accordingly.

**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.

**Finding 2014-12 – Missing Drug Buy Funds and Inadequate Drug Buy Ledgers – County Sheriff**

**Condition:** During the course of our audit work, it was brought to our attention that the County Sheriff had obtained funds to be used for "drug buys" and some of this money could not be accounted for. We noted the following:

On October 22, 2011 and October 2, 2014 official depository vouchers were issued to the County Sheriff for the amounts of \$2,500.00 and \$1,000.00, respectively, to obtain cash to be used in undercover

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operations. Procedures and documentation for the use of the cash was maintained differently for the two amounts obtained.

For the \$2,500.00 obtained on October 22, 2011, the County Sheriff provided OSAI with receipts from October 22, 2011 through March 26, 2012 which reflected \$950.00 was issued to him to give to the Undercover Officer. The receipts reflect that \$250.00 of the \$950.00 was given to an officer to be taken to the Undercover Officer. This officer stated that he could only remember receiving \$100.00 from the County Sheriff to give to the Undercover Officer.

During an interview with the Undercover Officer, he stated that he received a total of \$500.00 from the County Sheriff office from October 15, 2011 through April 1, 2012.

Based on the receipts provided to OSAI, the balance of cash on hand of the \$2,500.00 was \$1,550.00. On April 28, 2015, OSAI verified there was a balance of \$1,560.00 cash on hand, which was \$10.00 more than the records documented.

For the \$1,000.00 obtained on October 2, 2014, OSAI was provided with documentation reflecting the amount withdrawn or deposited, case number, date and officer receiving or returning the money. A total of \$300.00 was withdrawn for drug buy operations and \$80.00 returned leaving a balance of \$780.00 on hand, which was verified on April 28, 2015. Of the \$300.00 withdrawn, \$200.00 was noted as received by the County Sheriff in reference to a particular individual being targeted.

Based on the documentation provided and interviews it appears, of the \$2,500.00 undercover operation money, the County Sheriff received \$450.00 in drug buy funds that are unaccounted for. Further, detailed records were not retained to reflect how the funds were expended.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure all monies used for undercover operations or drug buys are properly documented.

**Effect of Condition:** These conditions resulted in monies for undercover operation not being accounted for in an effective and complete manner.

**Recommendation:** OSAI recommends that proper documentation be maintained that details cash withdrawals, deposits, and any court case associated with the drug buy. Furthermore, OSAI recommends policies and procedures be implemented for the approval of drug buys.

**Management Response:**

**County Sheriff:** There was a receipt book kept in accordance with the 2011 drug operation and the remaining funds were retained. No individual involved in the operation kept, retained, or presented any receipts other than the original receipt book. Any discrepancies noted are based on the best recollection of the individuals involved.

**Auditor Response:** Records were not maintained in a manner to properly account for the drug buy money.

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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, all cash withdrawals and deposits have proper documentation maintained to support the transaction.



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