

COUNTY AUDIT

WAGONER COUNTY

For the fiscal year ended June 30, 2015



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



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

**WAGONER COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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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

August 15, 2018

TO THE CITIZENS OF
WAGONER COUNTY, OKLAHOMA

Transmitted herewith is the audit of Wagoner County, Oklahoma for the fiscal year ended June 30, 2015. The audit was conducted in accordance with 19 O.S. § 171.

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

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

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

Sincerely,

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

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

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

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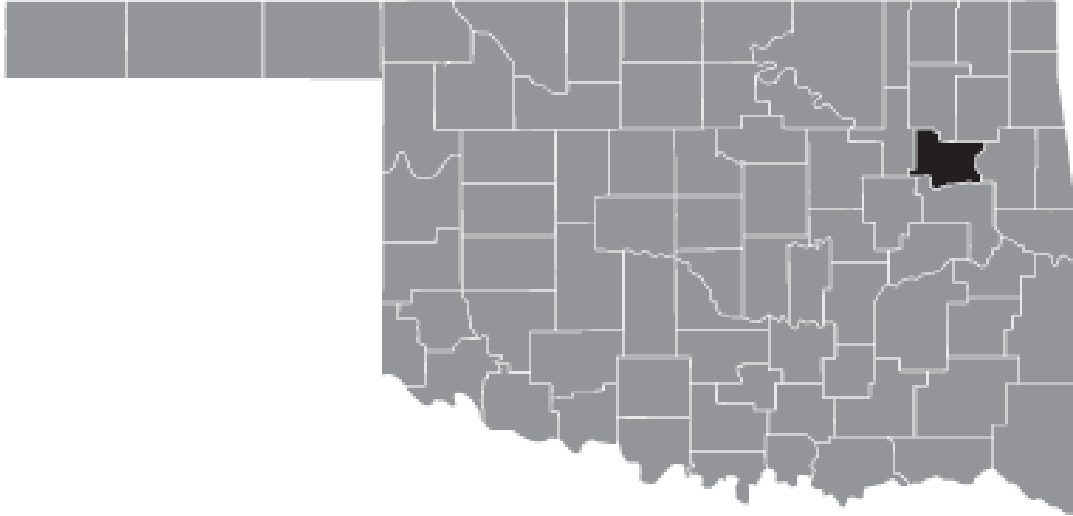
**WAGONER COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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PRESENTED FOR INFORMATIONAL PURPOSES ONLY

**WAGONER COUNTY, OKLAHOMA
STATISTICAL INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**



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 based at Three Forks, now called Okay. Pryor later moved to what is now Mayes County, where he established a trading post.

The main thoroughfare 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 – 75,702
(2014 est.)

Farms – 1,090

Land in Farms – 198,924 Acres

Primary Source: Oklahoma Almanac 2015-2016

**WAGONER COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

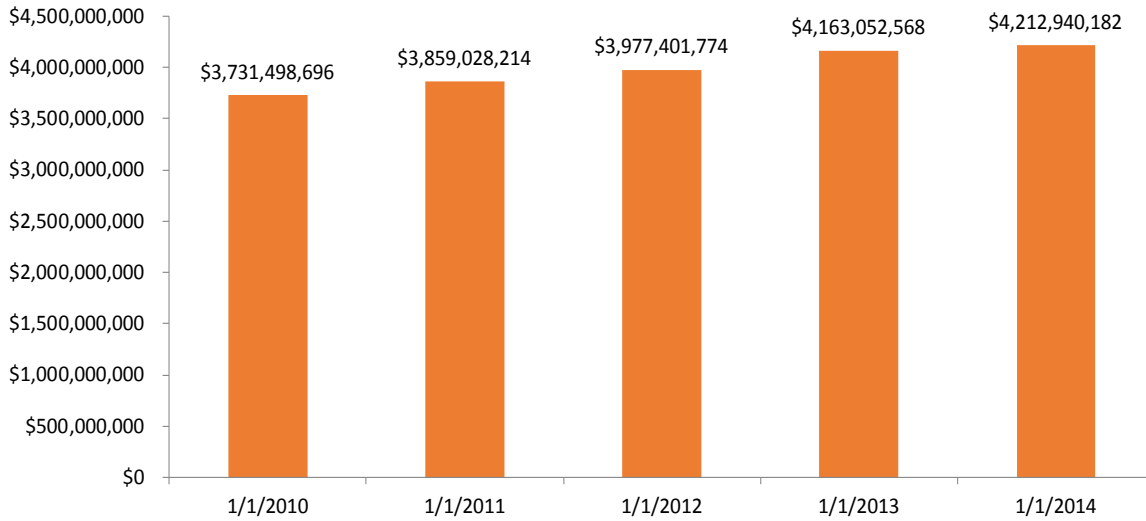
District Attorney

Brian Keuster

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

Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2014	\$68,367,064	\$35,014,320	\$390,870,147	\$23,790,250	\$470,461,281	\$4,212,940,182
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

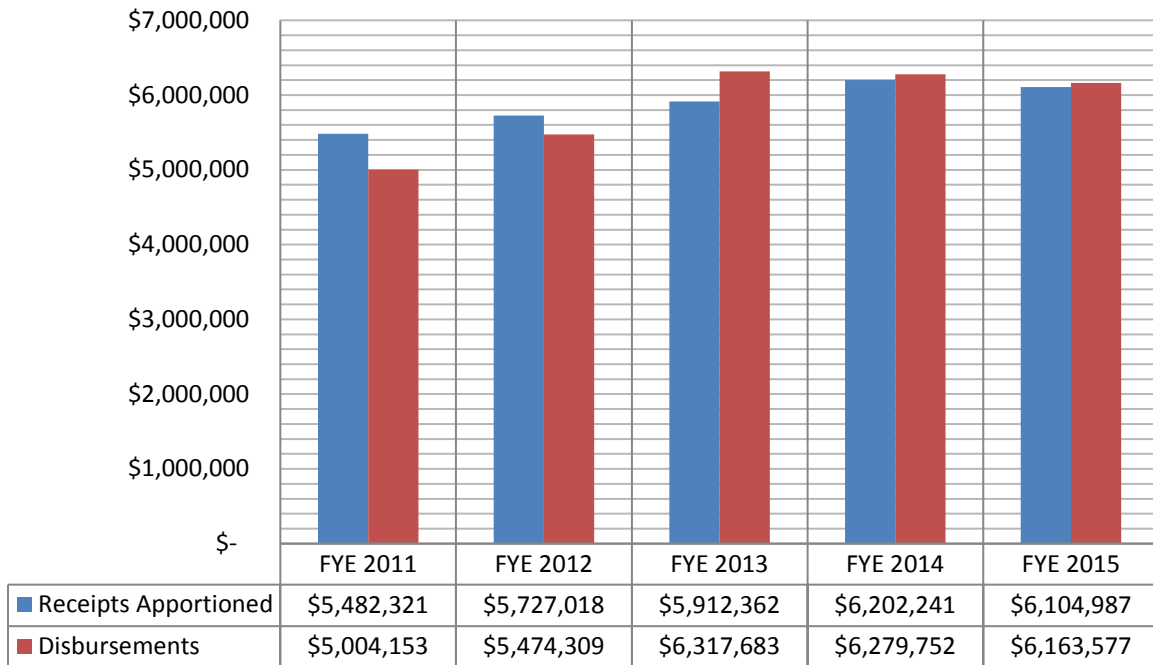
**Estimated
Fair Market
Value**



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

County General Fund

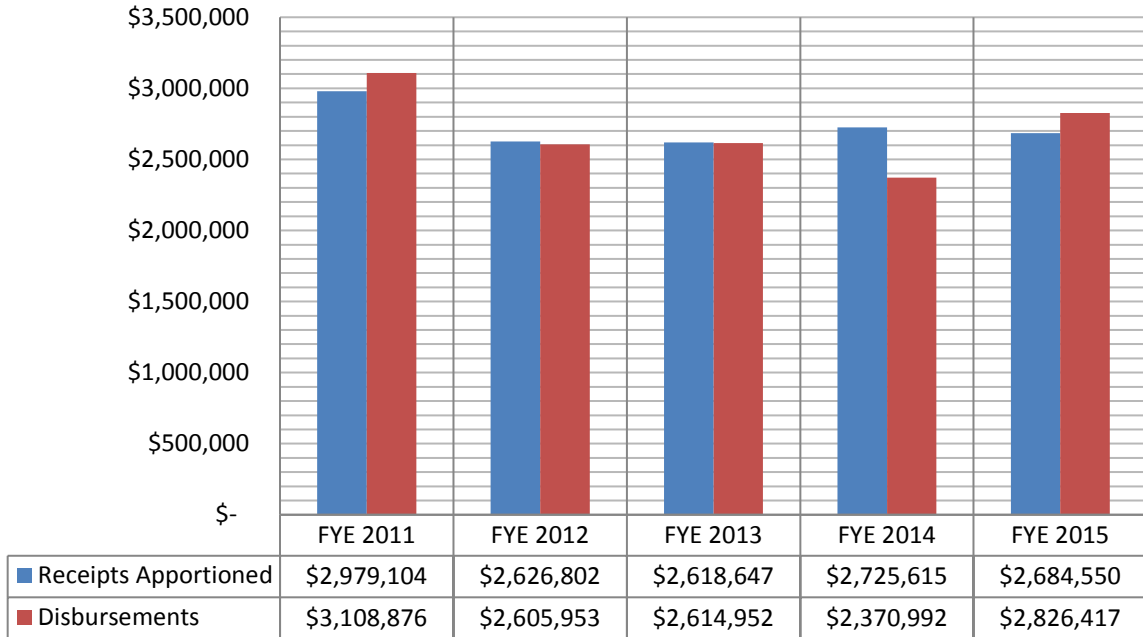
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also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



**WAGONER COUNTY, OKLAHOMA
COUNTY HIGHWAY FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

County Highway Fund

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



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, 2015, and the related notes to the financial statement, which collectively comprise the County's basic financial statement as listed in the table of contents.

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, 2015, 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, 2015, in accordance with 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 14, 2018, 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 that reads "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 14, 2018

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, 2015

	Beginning Cash Balances July 1, 2014	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2015
Combining Information:						
Major Funds:						
County General Fund	\$ 2,395,485	\$ 6,104,987	\$ 517,056	\$ 521,000	\$ 6,163,577	\$ 2,332,951
One Cent Sales Tax	3,991,777	5,235,846	3,801	101,056	4,608,731	4,521,637
County Health	1,868,071	1,398,267	76,669	-	871,464	2,471,543
T-Highway	1,759,358	2,684,550	-	-	2,826,417	1,617,491
Resale Property	737,171	587,120	6,704	16,000	509,957	805,038
Fire District Sales Tax	1,671,567	1,520,639	-	-	1,298,269	1,893,937
County Commissioners Use Tax	286,424	205,439	147,163	7,275	341,146	290,605
Special Economic Development	1,429,797	342,815	-	-	692,736	1,079,876
911 Emergency Cash	427,521	487,906	-	-	394,766	520,661
Courthouse Building and Maintenance	4,626,267	36,057	550,000	500,000	14,647	4,697,677
Remaining Aggregate Funds	2,651,746	1,855,657	10,978	134,173	1,758,425	2,625,783
Combined Total - All County Funds, as Restated	\$ 21,845,184	\$ 20,459,283	\$ 1,312,371	\$ 1,279,504	\$ 19,480,135	\$ 22,857,199

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, 2015**

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.

One 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 highways.

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

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

**WAGONER COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

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

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

911 Emergency Cash – accounts for the collection of fees charged on telephone bills for the County’s emergency 911 system and monies received from the County Commissioner fund per resolution. Disbursements are for expenditures related to providing 911 services.

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

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

**WAGONER COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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.

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. The County Treasurer, according to the law, shall give notice of delinquent taxes and special assessments by publication once a week for two consecutive weeks at any time after April 1, but prior to the end of September following the year the taxes were first due and payable. Unpaid real property taxes become a lien upon said property after the treasurer has perfected the lien by public notice.

**WAGONER COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Unpaid delinquent personal property taxes are published usually in May. If the taxes are not paid within 30 days from publication, they shall be placed on the personal tax lien docket.

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 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.

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in management's opinion, the resolution of these matters will not have a material adverse effect on the financial condition of the County.

**WAGONER COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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 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 One Cent Sales Tax fund.

On February 13, 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 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 Courthouse Building and Maintenance fund to the County General Fund to meet requirements of appropriations in accordance with 68 O.S. § 3021.
- \$500,000 was transferred from the County General Fund to the Courthouse Building and Maintenance fund for repayment of the loan in accordance with 68 O.S. § 3021.
- \$17,056 was transferred into the County General Fund from the following funds:
 - Resale Property fund - \$16,000 to reimburse salary and maintenance and operation account that was reduced during budget process.
 - One Cent Sales Tax fund - \$1,056 to reimburse for safety award and reimburse for maintenance and operation account that was spent prior to budget completion.

**WAGONER COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

- \$21,000 was transferred to the County Commissioners Use Tax fund from the County General Fund to cover an appropriations shortfall.
- \$76,669 was transferred to the County Health fund from the MD “Catch” Grant fund to close out the fund due to inactivity.
- \$6,704 was transferred from the Excess Resale fund (a trust and agency fund) to the Resale Property fund in accordance with 68 O.S. § 3131(C).
- \$100,000 was transferred to the County Commissioners Use Tax fund from the One Cent Sales Tax fund to cover an appropriations shortfall.
- \$3,801 was transferred to the One Cent Sales Tax fund from the Fire Hydrant EODD REAP fund to close out the fund due to inactivity.
- \$2,040 was transferred to the Civil Defense Cash Fund from the Storm Shelter Rebate fund to close out the fund.
- \$50,000 was transferred to the Courthouse Building and Maintenance fund from the INCOG REAP Communication Tower Fund for a reimbursement for grant disbursements.
- \$1,663 was transferred to the Juvenile Drug Court fund from the Home Detention fund to close out the fund.
- \$7,275 was transferred to the Juvenile Drug Court fund from the County Commissioners Use Tax fund to cover an appropriations shortfall.
- \$1,163 was transferred to the County Commissioners Use Tax fund from the Courthouse Renovation SA Fund (a trust and agency fund) to close out the fund.
- \$25,000 was transferred to the County Commissioners Use Tax fund from the Wagoner School Development Authority fund (a trust and agency fund) to cover an appropriations shortfall.

F. Restatement of Fund Balance

During the fiscal year, the County had a reclassification of funds. Adult Drug Court Revolving Fund, Juvenile Drug Court and Court Fund Payroll was reclassified as a county fund.

Prior year ending balance, as reported	\$21,687,860
Trust and Agency Funds reclassified to County Funds:	
Adult Drug Court Revolving Fund	87,277
Juvenile Drug Court	24,409
Court Fund Payroll	<u>45,638</u>
Prior year ending balance, as restated	<u>\$21,845,184</u>

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, 2015

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 2,395,485	\$ 2,395,485	\$ -
Less: Prior Year Outstanding Warrants	(271,894)	(271,894)	-
Less: Prior Year Encumbrances	(61,580)	(50,985)	10,595
Beginning Cash Balances, Budgetary Basis	<u>2,062,011</u>	<u>2,072,606</u>	<u>10,595</u>
Receipts:			
Ad Valorem Taxes	4,409,505	4,815,151	405,646
Charges for Services	278,765	242,884	(35,881)
Intergovernmental Revenues	818,221	878,064	59,843
Miscellaneous Revenues	159,416	168,888	9,472
Total Receipts, Budgetary Basis	<u>5,665,907</u>	<u>6,104,987</u>	<u>439,080</u>
Expenditures:			
County Sheriff	2,065,191	2,016,692	48,499
County Treasurer	84,242	83,340	902
County Commissioners	215,360	214,882	478
OSU Extension	120,857	103,660	17,197
County Clerk	475,500	442,074	33,426
Court Clerk	223,500	214,703	8,797
County Assessor	267,019	218,923	48,096
Revaluation of Real Property	664,664	550,767	113,897
General Government	1,627,975	661,538	966,437
Excise-Equalization Board	7,200	6,022	1,178
County Election Board	181,412	169,828	11,584
Insurance - Benefits	1,516,291	1,359,421	156,870
Purchasing Agent	50,000	48,534	1,466
County Audit Budget Account	169,707	132,382	37,325
Storm Water Management	59,000	50,473	8,527
Total Expenditures, Budgetary Basis	<u>7,727,918</u>	<u>6,273,239</u>	<u>1,454,679</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	1,904,354	<u>\$ 1,904,354</u>
Operating Transfers:			
Operating Transfers In		517,056	
Operating Transfers Out		(521,000)	
Net Operating Transfers		(3,944)	
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		130	
Add: Current Year Outstanding Warrants		336,804	
Add: Current Year Encumbrances		95,607	
Ending Cash Balance		<u>\$ 2,332,951</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, 2015

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 1,867,771	\$ 1,868,071	\$ 300
Less: Prior Year Outstanding Warrants	(88,486)	(88,486)	-
Less: Prior Year Encumbrances	(25,328)	(15,779)	9,549
Beginning Cash Balances, Budgetary Basis	1,753,957	1,763,806	9,849
Receipts:			
Ad Valorem Taxes	1,103,445	1,204,956	101,511
Charges for Service	-	191,227	191,227
Intergovernmental Revenues	-	2,084	2,084
Total Receipts, Budgetary Basis	1,103,445	1,398,267	294,822
Expenditures:			
Health and Welfare	2,857,402	1,076,549	1,780,853
Total Expenditures, Budgetary Basis	2,857,402	1,076,549	1,780,853
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	2,085,524	\$ 2,085,524
Operating Transfers:			
Operating Transfers In		76,669	
Net Operating Transfers		76,669	
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		100	
Add: Current Year Encumbrances		93,609	
Add: Current Year Outstanding Warrants		215,641	
Ending Cash Balance		\$ 2,471,543	

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, 2015

	Beginning Cash Balances July 1, 2014	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2015
Remaining Aggregate Funds:						
Treasurer Mortgage Certification	\$ 356,289	\$ 20,515	\$ -	\$ -	\$ 1,820	\$ 374,984
Community Sentencing Council	122,412	39,213	-	-	84,313	77,312
Storm Shelter Rebate	4,040	2,000	-	2,040	4,000	-
Law Enforcement/Corps of Engineers	87,720	31,872	-	-	83,240	36,352
Home Detention	1,663	-	-	1,663	-	-
County Clerk Lien Fee	47,038	23,253	-	-	37,477	32,814
Sheriff Fee Cash Fund	417,233	387,888	-	-	335,030	470,091
Sheriff JAG Recovery Grant	11,205	-	-	-	-	11,205
Assessor Visual Inspection	16	-	-	-	-	16
Assessor Revolving	2,914	1,011	-	-	2,000	1,925
Community Sentencing - DOC	14,846	32,303	-	-	7,953	39,196
County Clerk Records Preservation	128,167	83,380	-	-	30,741	180,806
REAP Grant	7,807	-	-	-	-	7,807
OHSO Grant	15,627	-	-	-	-	15,627
Sheriff Contract Prison	318,955	86,886	-	-	251,256	154,585
MD "Catch" Grant	76,669	-	-	76,669	-	-
Sheriff Commissary Fund	128,037	133,305	-	-	72,362	188,980
Planning and Zoning	166,049	224,015	-	-	151,555	238,509
Youth Graduated Sanction (STEP) Grant	300	50	-	-	210	140
Step Program Cash Fund	9,198	-	-	-	-	9,198
Fire Hydrant EODD REAP	-	3,801	-	3,801	-	-
INCOG REAP Communication Tower	-	50,000	-	50,000	-	-
Juvenile Offender Program	713	300	-	-	-	1,013
Stone Bluff East Central Electric Donation	289	-	-	-	-	289
Wagoner County Recreational Complex	450	458	-	-	455	453
Civil Defense Cash Fund	27,988	21,490	2,040	-	42,144	9,374
County Bridge Road Improvement	547,303	223,903	-	-	157,129	614,077
REAP Grant 1 RHF	1,448	-	-	-	-	1,448
Stone Bluff Senior Citizen Trust Authority	46	-	-	-	-	46
Adult Drug Court Revolving Fund	87,277	147,555	-	-	165,344	69,488
Juvenile Drug Court	24,409	40,615	8,938	-	62,303	11,659
Court Fund Payroll	45,638	297,786	-	-	269,093	74,331
Gray Oaks Road EODD REAP	-	4,058	-	-	-	4,058
Combined Total - Remaining Aggregate Funds	\$ 2,651,746	\$ 1,855,657	\$ 10,978	\$ 134,173	\$ 1,758,425	\$ 2,625,783

**WAGONER COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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 the funds as restricted by state statute.

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.

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

Law Enforcement/Corps of Engineers – accounts for monies received from the Corps 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.

County Clerk Lien Fee – accounts for lien fee 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 purchase of law enforcement equipment for the Sheriff's office.

**WAGONER COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Assessor Visual Inspection – accounts for collection and disbursement 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.

OHSO Grant – accounts for grant monies received from the State of Oklahoma, Oklahoma Highway Safety Office (OHSO), 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.

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.

STEP Program Cash Fund – accounts for state grants to provide funding for Structured Transitional Educational Program (STEP) to keep juveniles in school.

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

INCOG REAP Communication Tower – accounts for state grant monies collected for radio tower installation reimbursement.

**WAGONER COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

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

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

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

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

REAP Grant 1 RHFD – accounts for state grant monies collected to reimburse expenses for remodeling the Rolling Hills Fire Department.

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

Adult Drug Court Revolving Fund – accounts for monies received from the Oklahoma Department of Mental Health and Substance Abuse Services to be expended for the maintenance and operation of the Adult Drug Court.

Juvenile Drug Court – accounts for monies received from the Oklahoma Department of Mental Health and Substance Abuse Services to be expended for the maintenance and operation of the Juvenile Drug Court.

Court Fund Payroll – accounts for funds collected by the Court Clerk and disbursed for payroll of the Court Clerk’s employees.

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

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

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, 2015, and the related notes to the financial statement, which collectively comprises Wagoner County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated August 14, 2018.

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, 2015, 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 a material weakness.

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: 2015-001.

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.

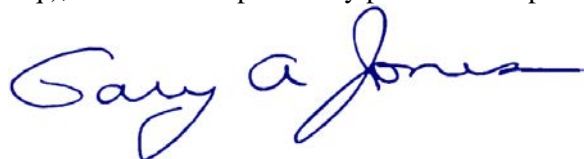
Wagoner County's Responses to Findings

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.

A handwritten signature in blue ink that reads "Gary A. Jones". The signature is written in a cursive style with a large, looped initial "G".

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

August 14, 2018

**WAGONER COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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 2015-001 – Inadequate County–Wide Internal Controls (Repeat Finding)

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

Cause of Condition: Policies and procedures have not been designed to address the Risk Assessment and Monitoring of the County. The County was not fully aware of the benefits gained by the implementation of procedures regarding the Risk Assessment and Monitoring as it relates to the strengthening of its internal control structure.

Effect of Condition: This condition could result in unrecorded transactions, undetected errors, or misappropriation of funds.

Recommendation: The Oklahoma State Auditor & Inspector’s Office (OSAI) recommends the County design procedures to identify and address risk. 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 of the Board of County Commissioners: Following the County's previous audits and repeat finding on this issue, individual departments began the task of identifying and assessing risk within their realm of responsibility in an effort to become compliant.

At that time, several departments began having periodic meetings, the purpose of which were to develop county-wide policies and procedures from which areas of risk may be identified and controls put into place to mitigate them. Although several meetings were held and the process begun, both scheduling and attendance of these meetings has been inconsistent.

Moving forward, these departments may choose to resume their meetings; however, due to requirements put into place by the Oklahoma Open Meetings Act, it is impossible for more than one member of the Board of Commissioners to participate at the same time. Additionally, the perception of such meetings by a sitting Commissioner, may be viewed as an attempt to circumvent the Oklahoma Open Meetings Act. Therefore, as Chairman, I would be willing to accept the individual elected officials written recommendation for their department's internal controls, policy/procedure and risk assessment. Once received, I will have them compiled into a single document representing each of the elected official's office.

To prevent any misunderstanding, I would like to clarify that each department can participate on a volunteer basis and no requirement for enforcement is in place. Each elected official has been given the duty and responsibility by the voters of Wagoner County to evaluate their individual departments for any and all risk. This responsibility cannot and should not be delegated to other departments.

**WAGONER COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

County Clerk: The County Clerk's Office currently has in place documented internal controls for each area of the clerk's office assessing risk for financial risk, safety risk and integrity of data. This is an ongoing process and we continue to identify additional areas of concern to address and mitigate.

For a short time following our last audit, one member of the Board of Commissioners, and the elected officials which operate in the courthouse, the County Clerk, Court Clerk, Assessor, Treasurer and Sheriff, were holding monthly meetings, the purpose of which were to develop a framework and to compose a narrative for county policies and procedures from which areas of risk may be identified and controls put into place to mitigate them. These meetings were to be ongoing and the resulting documentation to be assessed and updated continuously. Unfortunately, due to a number of factors, these meetings have not continued as was originally planned.

Moving forward, these meetings will resume with each official bringing their individual internal control plans in an effort to consolidate and develop a county-wide plan to include both internal and external risk factors to be included and addressed.

County Treasurer: Internal controls are now in place within my office; County-Wide controls have not been formally implemented with the Board of County Commissioners. We are working together as County Officials to create policies and procedures address and resolve issues which may create risks.

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

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

Monitoring is a component of internal control which should assess the quality of performance over time and ensure that the findings of audits and other reviews are promptly resolved. Ongoing monitoring occurs during normal operations and includes regular management and supervisory activities, comparisons, reconciliations, and other actions people take in performing their duties. It includes ensuring that management know their responsibilities for internal control and the need to make control monitoring part of their regular operating process. Proper monitoring will ensure that controls continue to be adequate and function properly.

**WAGONER COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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 2015-009 – Inadequate Segregation of Duties Over Collections and Disbursements – Court Clerk (Repeat Finding)

Condition: Upon inquiry and observation of the records with regards to the collection and disbursement processes of the Court Fund and the Court Clerk Revolving Fund, we noted the following:

Collection process:

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

Disbursement 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 collection and disbursement 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 collection 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.

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

**WAGONER COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

- 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: Collection process: 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 Clerk's, given the increasing work load of the office, are required to participate in the taking of payments and the issuance of receipts for 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.

Disbursement process: This finding is noted and accepted. Again, 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 "receipt 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 Associated District Judge must sign all claims from the Court Fund or Revolving Fund. In the case of intangible items, such as court appointed attorneys, the District Judge signs the receiving form. The Court Clerk reviews, as does the County Clerk, all vouchers, claims and financial disbursements on a routine basis. These are repeat findings. Again, I will continue to operate on the current system given the limited number of employees and the presence of workable controls.

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

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

Finding 2015-010 – Inadequate Internal Controls and Noncompliance Over Fixed Assets Inventory

Condition: Upon inquiry and observation of the recordkeeping processes regarding fixed assets, we noted no inventory list or documentation of an annual review was on file with the County Clerk's office for the following offices:

**WAGONER COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

- County Treasurer, County Assessor, County Election Board, County Sheriff, County Commissioner District 1, and the Fire Departments at Broken Arrow, Coweta, Flat Rock, Oak Grove, Okay, Porter, Red Bird, Rolling Hills, Stone Bluff, Taylor Ferry, Toppers, Tullahasse, Wagoner, and Whitehorn.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure fixed assets inventory is properly accounted for and updated with the office of the County Clerk.

Effect of Condition: These conditions resulted in noncompliance with state statute and could result in a 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 assets recordkeeping process. Fixed assets inventory lists should be updated annually and filed with the County Clerk.

Management Response:

County Treasurer: The inventory list is checked and submitted to the County Clerk yearly. In the future we will require that our copy be time stamped upon submission to the County Clerks' office.

County Assessor: In the future, we will be sure to update, review, and have two separate people sign and verify the annual fixed assets list. We will be sure that a copy is given to the County Clerk.

County Sheriff: The County Sheriff's office has assigned personnel to update our inventory list and as that is done, information will be filed with the County Clerk.

Chairman Board of County Commissioners: The Board of County Commissioners has requested from the Fire Departments this information be kept current and on file with the County Clerk's office. We will continue to work with these departments to ensure current and accurate records are on file.

County Election Board: I failed to turn in an inventory sheet for 2015. From now on I will make sure an inventory sheet is turned in yearly.

County Commissioner District 1: After review of these findings, we have found that our office has current and accurate records of inventory and inventory controls. However, the documentation could not be located within the County Clerk's office. As a result, a procedure has been put into place to correct any exposure of records not being located. Our office will deliver to the County Clerk's office the inventory records at which time they will be required to time stamp when received so that we may keep these records on hand to show when they were submitted.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. An important aspect of internal controls is the safeguarding of assets. Internal controls over safeguarding of assets constitute a process, affected by an entity's governing body, management, and other personnel,

**WAGONER COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from misappropriation.

Title 19 O.S. § 178.1 states in part, "...“The board of county commissioners in each county of this state shall take, or cause to be taken, an inventory of all working tools, apparatus, machinery and equipment belonging to the county or leased or otherwise let to it or to any department thereof, other than that which is affixed to and made a part of lands and buildings, the cost of which as to each complete working unit thereof is more than Five Hundred Dollars (\$500.00), and thereafter maintain or cause to be maintained a continuous inventory record thereof and of like tools, apparatus, machinery and equipment purchased, leased, or otherwise coming into the custody of the county or of any office, board, department, commission or any or either thereof, and the disposition thereof whether sold, exchanged, leased, or let where authorized by statute, junked, strayed or stolen, and annually thereafter...”

Finding 2015–012 – Inadequate Internal Controls and Noncompliance Over the Inmate Trust Fund Checking Account and Sheriff Commissary Fund

Condition: An audit of the Inmate Trust Fund Checking Account and Sheriff Commissary Fund reflected the following:

- Inmate Trust Fund Checking Account bank reconciliations were not performed in their entirety. The County Sheriff’s office did not have documentation to adequately support the beginning computer balance.
- Inmate Trust Fund Checking Account reconciliations were not reviewed for accuracy.
- The encoded amount on the deposit slip from the bank was not reviewed for accuracy.
- The County Sheriff’s annual commissary report to the Board of County Commissioners was not accurately completed.
- The County Sheriff did not have signed commissary contracts from July 1, 2014 to September 1, 2014.
- The County Sheriff did not have policies or procedures for the handling of unclaimed inmate trust funds.

Additionally, an inventory of telephone calling cards was not being maintained and sales are not being reconciled to deposits.

Cause of Condition: Policies and procedures have not been designed and implemented regarding the Inmate Trust Fund Checking Account and Sheriff Commissary Fund.

Effect of Condition: These conditions resulted in noncompliance with state statutes, laws, and regulations. Also, without proper accounting and safeguarding of the Inmate Trust Fund Checking Account, there is an increased risk of misappropriation of funds.

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Recommendation: OSAI recommends the following:

- Inmate Trust Fund Checking Account reconciliations should be performed monthly and maintained with all documentation to support the reconciliation. Additionally, the reconciliation should be reviewed for accuracy by someone other than the preparer with evidence of review documented with initials and date.
- The encoded amount on the deposit slip from the bank should be reviewed for accuracy.
- The County Sheriff should complete and file a report of the commissary with the County Commissioners by January 15th, of each year.
- All contracts should be renewed and approved by the Board of County Commissioners annually.
- The County Sheriff should maintain an accurate inventory of the telephone calling cards. This would include maintaining the number of cards received, sold, and balance of cards on hand. Also, the cards should be issued sequentially by card number at the time of sale. Further, the proceeds for the sale of cards should be reconciled to the number of cards sold and remitted to the Sheriff Cash Service Fee fund on a monthly basis.
- The County Sheriff establish policies and procedures to ensure disposition of inmates unclaimed property is handled in accordance with 22 O.S. § 1325.

Management Response:

County Sheriff: Jail secretaries are now reviewing and initialing deposit slips to verify that they are accurate and are maintaining inventory calling cards and a log of calling cards sold that will be reconciled to deposits. We are working on developing policies and procedures for the handling of unclaimed inmate trust funds in accordance with 22 O.S. § 1325. Jail secretaries are going to contact commissary vendor and ask for help in determining the beginning balance for reconciliatory purposes. From this balance, they we begin reconciling the Inmate Trust Fund Checking Account on a monthly basis and have it reviewed by someone in Jail Administration. The Sheriff's office will work on completing the Commissary Annual Report in its entirety. We will begin showing the difference between deposits and expenditures and will document actual profits. The Sheriff's office will review commissary contracts for FY 2017 and FY 2018 and file them accordingly. We contacted the commissary vendor and noted that they are to file new contracts yearly.

Criteria: Effective accounting procedures and internal controls are necessary to ensure stewardship and accountability of public funds. Safeguarding controls are an important aspect of internal controls. 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 and individual inmate fund reconciliation not performed, are deficiencies in internal control. Further, reconciliations should be performed on a monthly basis.

Title 19 O.S. § 180.43 D. states in part, "...Any funds received pursuant to said operations shall be the funds of the county where the persons are incarcerated and shall be deposited in the Sheriff's Commissary Account. The sheriff shall be permitted to expend the funds to improve or provide jail services. The sheriff shall be permitted to expend any surplus ithe Sheriff's Commissary Account for administering expenses for training equipment, travel or for capital expenditures. The claims for expenses shall be filed with and allowed by the board of county commissioners in the same manner as other claims. The Sheriff shall

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receive no compensation for the operation of said commissary. The sheriff shall file an annual report on any said commissary under his or her operation no later than January 15 of each year....”

Title 19 O.S. § 531(A) states in part, “...The county sheriff may establish a checking account, to be designated the “Inmate Trust Checking Account”... The county sheriff shall deposit all monies collected from inmates incarcerated in the county jail into this checking account and may write checks to the Sheriff’s Commissary Account for purchases made by the inmate during his or her incarceration and to the inmate from unencumbered balances due the inmate upon his or her discharge.”

Title 22 O.S. § 1325(F, H) states:

F. A sheriff’s office having in its possession money or legal tender under the circumstances provided in subsection A of this section, prior to appropriating the same for deposit into a special fund, shall file an application in the district court of its county requesting the court to enter an order authorizing it to so appropriate the money for deposit in the special fund. The application shall describe the money or legal tender, together with serial numbers, if any, the date the same came into the possession of the sheriff’s office or campus police agency, and the name and address of the owner, if known. Upon filing, the application, which may be joined with an application as described in subsection C of this section, shall be set for hearing not less than ten (10) days nor more than twenty (20) days from the filing thereof, and notice of the hearing shall be given as provided in subsection D of this section. The notice shall state that, upon no one appearing to prove ownership to the money or legal tender, the same will be ordered by the court to be deposited in the special fund by the sheriff’s office or campus police agency. The notice may be combined with a notice to sell personal property as set forth in subsection D of this section. At the hearing, if no one appears to claim and prove ownership to the money or legal tender, the court shall order the same to be deposited by the sheriff’s office or campus police agency in the special fund, as provided in subsection H of this section.

H. The money received from the sale of personal property as above provided, after payment of the court costs and other expenses, if any, together with all money in possession of the sheriff’s office or campus police agency, which has been ordered by the court to be deposited in the special fund, shall be deposited in such fund which shall be separately maintained by the sheriff’s office in a special fund with the county treasurer or campus police agency to be expended upon the approval of the sheriff or head of the campus police agency for the purchase of equipment, materials or supplies that may be used in crime prevention, education, training or programming. The fund or any portion of it may be expended in paying the expenses of the sheriff or any duly authorized deputy or employee of the campus police agency to attend law enforcement or public safety training courses which are conducted by the Oklahoma Council on Law Enforcement Education and Training (CLEET) or other certified trainers, providers, or agencies.



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