

OPERATIONAL AUDIT

WOODWARD 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

**WOODWARD COUNTY OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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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

March 21, 2017

**TO THE CITIZENS OF
WOODWARD COUNTY, OKLAHOMA**

Transmitted herewith is the audit report of Woodward County for the fiscal year ended June 30, 2014.

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 written in a cursive style with a long, sweeping tail on the letter "s".

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

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

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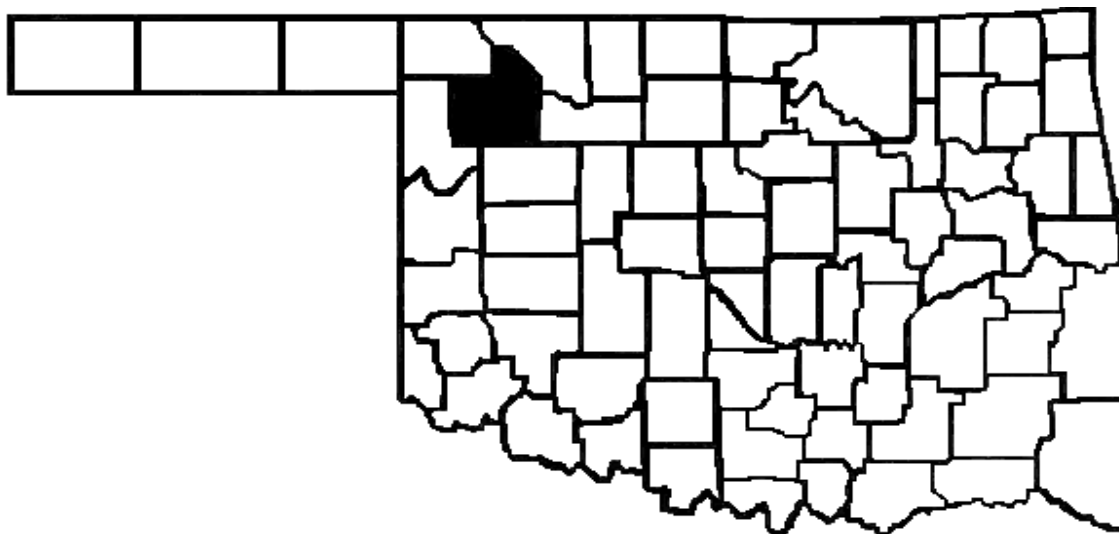
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**WOODWARD COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**



When the Cherokee Outlet was opened to settlement in 1893, the name “Woodward” was given to the Atchison, Topeka, and Santa Fe station in central “N” County, Oklahoma Territory. The name was given later to the county.

Woodward, the county seat, became a shipping point for cattle, and in 1913, the United States located an agricultural research station there. Woodward celebrated its centennial year in 1987. It remains a hub for commerce in northwest Oklahoma.

Agriculture and petroleum have contributed to the county’s economy. Today Woodward Iodine, Western Farmer’s Electrical Cooperative, Bison Nitrogen, Terra Chemical, Deepwater Chemicals, and Mutual of Omaha are the examples of the county’s industrial development.

Scenic areas include Boiling Springs State Park northeast of Woodward, and Alabaster Caverns State Park in the northern section of the county. Fort Supply Reservoir provides hunting, fishing, camping, and swimming activities. Boiling Springs Golf Course is rated one of the top ten public courses in the state.

History books written about the county include *Below Devil’s Gap*; *Woodward, First Century on Sand, Sage, and Prairie*; and *Sand in My Eyes*. A state tourism center is operated In Woodward. For additional information, call the county clerk’s office at 580/256-3625 or the Plains Indians and Pioneers Museum at 580/256-6136.

County Seat – Woodward

Area – 1,246.01 Square Miles

County Population – 20,548
(2012 est.)

Farms – 892

Land in Farms – 783,200 Acres

Primary Source: Oklahoma Almanac 2013-2014

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

Board of County Commissioners

District 1 – Tommy Roedell
District 2 – Randy Johnson
District 3 – Vernie R. Matt

County Assessor

Mistie Dunn

County Clerk

Charolett Waggoner

County Sheriff

Gary Stanley

County Treasurer

Sonya Coleman

Court Clerk

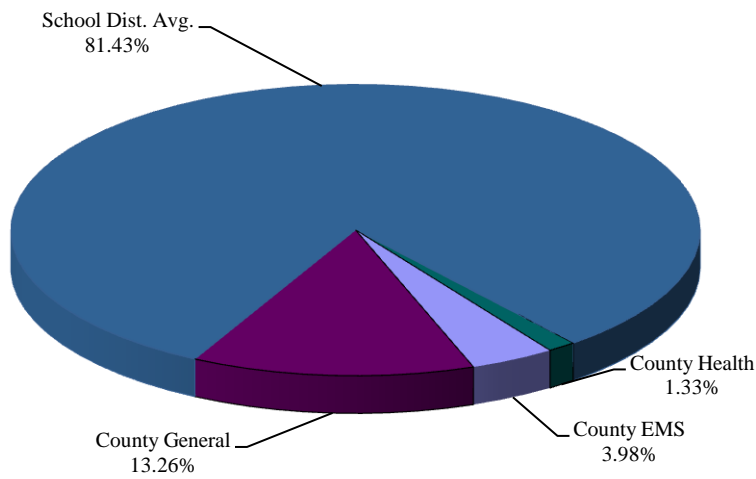
Tammy Roberts

District Attorney

Hollis Thorp

**WOODWARD 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	10.46								
County Health	1.05	Woodward	I-1	36.20	5.17	14.69	12.54	4.18	72.78
County EMS	3.14	Moreland	I-2	37.25	5.32	14.26	12.54	4.18	73.55
		Sharon/Mutual	I-3	37.50	5.36	10.29	12.54	4.18	69.87
		Fort Supply	I-5	37.24	5.32	10.20	12.54	4.18	69.48
		Ellis - Fargo	Jt I-26	37.31	5.33	-	12.54	4.18	59.36
		Ellis - Arnett	Jt I-3	39.06	5.58	4.21	-	4.18	53.03
		Dewey - Vici	Jt I-5	38.11	5.44	9.52	12.00	4.18	69.25
		Dewey - Seiling	Jt I-8	35.72	5.10	3.42	-	4.18	48.42
		Woods - Waynoka	Jt I-3	36.56	5.22	4.15	13.83	4.18	63.94
		Woods - Freedom	Jt I-6	37.37	5.34	2.01	13.83	4.18	62.73

**WOODWARD COUNTY, OKLAHOMA
SALES TAX DISTRIBUTION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Sales Tax

Sales Tax of June 1, 1994

An unlimited one-fifth (1/5%) percent of one cent sales tax became effective June 1, 1994. The sales tax is distributed among the following entities within the Sales Tax fund: fire fighting services (37.5%); county fair board (16.5%); OSU Extension Office (16.5%); fire safety and prevention (12%); and drug abuse assistance education (17.5%). The sales tax is accounted for in the Sales Tax fund.

Sales Tax of August 11, 2009

On August 11, 2009, county voters authorized a sales tax of five-eighths of one cent for the purpose of acquisition, construction and equipping a new Woodward County Detention Facility, and operating and maintaining the Woodward County Detention Facility. A portion of the sales tax, .425 of one (1) cent, shall have a limited duration of ten (10) years from the date of commencement, or until principal and interest upon indebtedness incurred on behalf of Woodward County at the Woodward County Public Facilities Authority in furtherance of the new county detention facility is paid in full, whichever occurs earlier. The remaining portion of such sales tax, one-fifth (.200) of one (1) cent, to continue until repealed by a majority of the electors of Woodward County in an election called for the purpose of posing said proposition; making provisions separable; and declaring an emergency. The sales tax is accounted for in the Sales Tax fund.

Sales Tax of February 12, 2013

On February 12, 2013, county voters authorized a one half of one (.50%) percent sales tax on gross receipts or proceeds on certain sales for the purpose of design, construction, financing, furnishings, capital facilities and improvements, equipment, fixtures, site preparation, street improvements, and continuing maintenance and operation expenses for a new Woodward County Fairgrounds and Expo Facility to be located in Woodward County. The sales tax is to terminate thirteen (13) years from the effective date of the tax or at the date of retirement of any debt. One-tenth (1/10) of one percent shall be perpetual to be used for operation and maintenance of the new fairgrounds and expo facility and shall remain outstanding until lawfully repealed. The sales tax is accounted for in the Sales Tax fund.

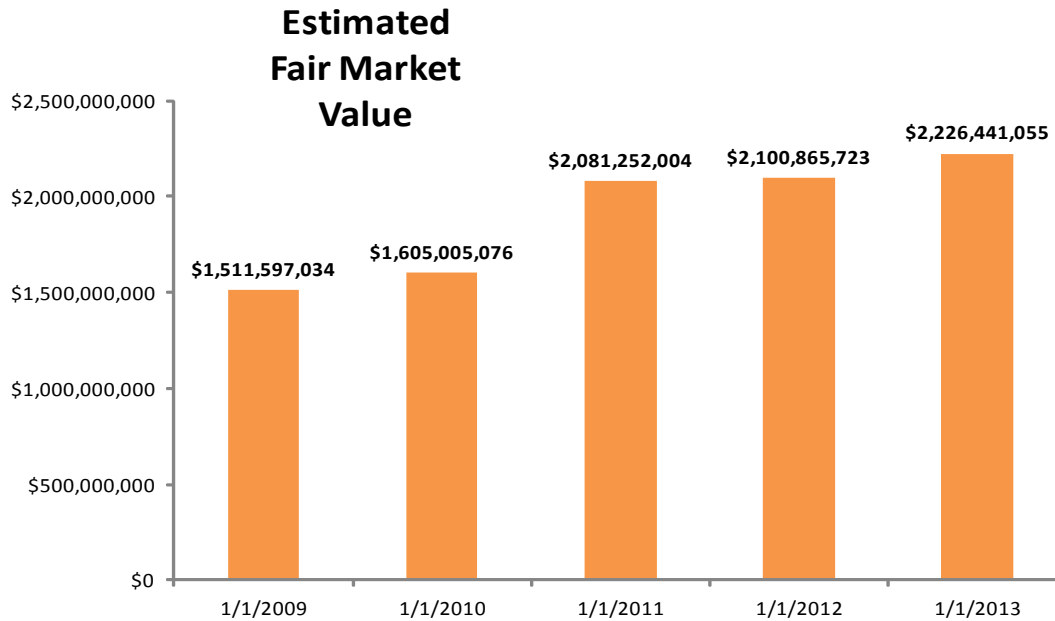
During the fiscal year, the County collected and distributed \$5,990,304 in total sales tax.

The Receipts Apportioned to the Sales Tax fund consists of the following:

Sales Tax	\$5,990,304
Use Tax	574,511
Miscellaneous	18,979
Interest	<u>5,346</u>
Total	<u>\$6,589,140</u>

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

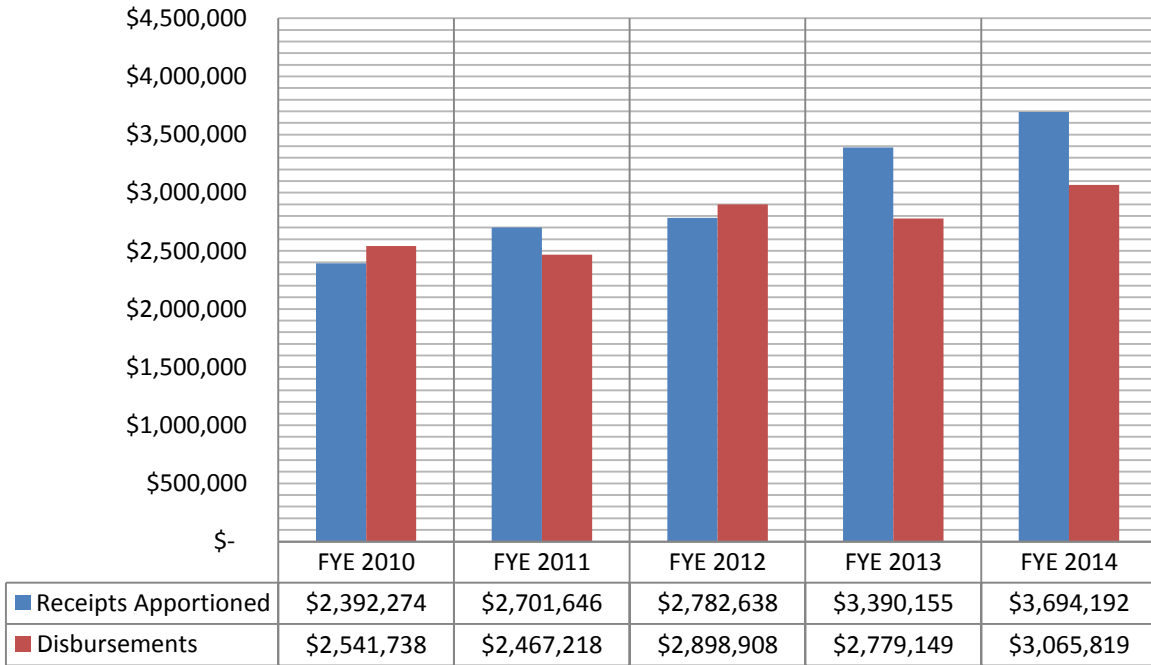
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2013	\$120,655,196	\$52,408,303	\$99,023,940	\$4,306,726	\$267,780,713	\$2,226,441,055
1/1/2012	\$112,027,028	\$51,383,710	\$94,332,061	\$4,382,697	\$253,360,102	\$2,100,865,723
1/1/2011	\$110,441,380	\$53,209,080	\$92,881,466	\$4,443,812	\$252,088,114	\$2,081,252,004
1/1/2010	\$61,665,281	\$50,776,471	\$90,441,462	\$4,476,735	\$198,406,479	\$1,605,005,076
1/1/2009	\$67,975,061	\$25,507,579	\$86,021,253	\$4,508,738	\$174,995,155	\$1,511,597,034



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

County General Fund

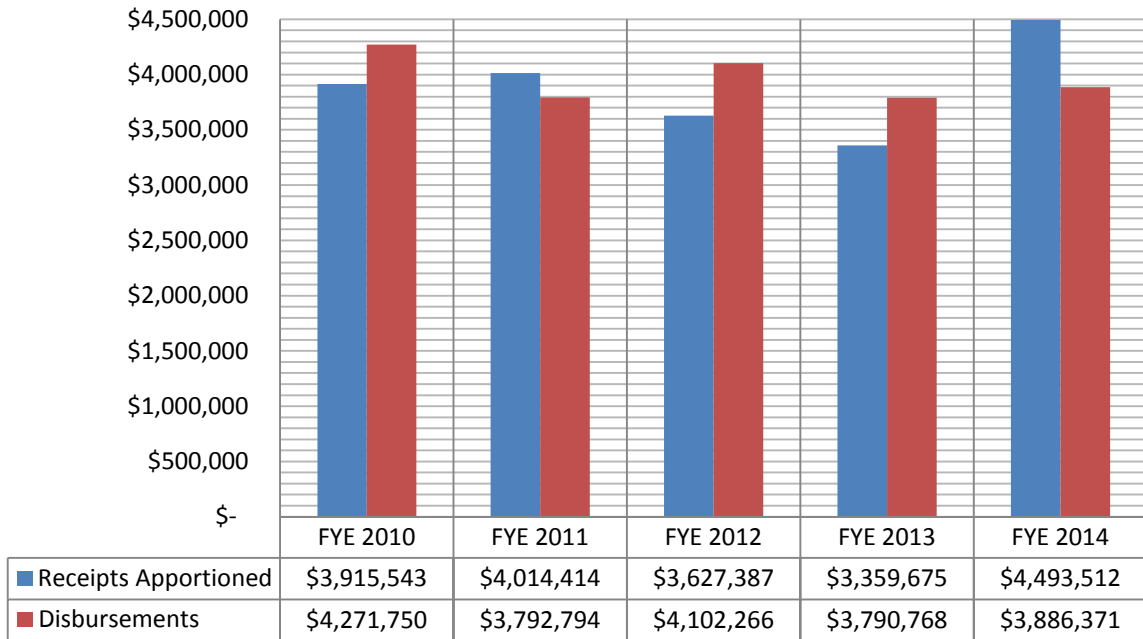
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also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



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

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.



**WOODWARD COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Presentation of Apportionments, Disbursements, and Cash Balances of County Funds for Fiscal Year Ended June 30, 2014

	Beginning Cash Balances July 1, 2013	Receipts Apportioned	Transfer In	Transfer Out	Disbursements	Ending Cash Balances June 30, 2014
Combining Information:						
County Funds:						
County General Fund	\$ 2,161,710	\$ 3,694,192	\$ -	\$ -	\$ 3,065,819	\$ 2,790,083
County Highway Cash	1,087,309	4,493,512	-	-	3,886,371	1,694,450
County Bridge and Road Improvement Fund 105	2,151,520	294,556	-	-	1,261,183	1,184,893
Sales Tax	3,450,548	6,589,140	-	-	4,137,815	5,901,873
County Health Department	364,756	302,534	-	-	367,933	299,357
Resale Property	195,489	70,403	-	-	34,743	231,149
Treasurer Mortgage Tax Certification Fee	16,512	4,560	-	-	1,428	19,644
County Clerk Lien Fee	52,945	20,016	-	-	9,361	63,600
County Clerk Records Preservation Fee	53,743	28,086	-	-	8,154	73,675
County Assessor Visual Inspection	7,952	-	-	-	1,311	6,641
County Assessor Revolving	18,627	10,011	-	-	3,841	24,797
Sheriff Jail Commissary	57,668	68,902	-	-	89,561	37,009
Fort Supply Lake Patrol	9,954	14,316	-	-	6,625	17,645
Sheriff Prisoner Revolving	62,034	174,205	-	-	186,843	49,396
Sheriff Service Fee	174,194	111,774	-	-	156,430	129,538
Sheriff Special	1,799	-	-	-	-	1,799
Sheriff Training	39	-	-	-	-	39
Northwest Oklahoma Juvenile Detention Center	27,020	39	-	-	-	27,059
Northwest Oklahoma Cattle/Rural	1,020	-	-	-	-	1,020
UTPHONE E-911	36,768	256,487	-	-	243,684	49,571
Sara Title III	4,938	-	-	-	-	4,938
Wireless 911 Cell Phones	198,247	124,911	-	-	109,010	214,148
County Rewards Program	200	-	-	-	-	200
Quinlan Community Water Grant	10,000	2,320	-	-	10,000	2,320
Flood Plain Board	250	300	-	-	203	347
Court Funded Payroll	7,893	139,638	-	-	141,824	5,707
National Association of County and City Health Officials Grant	-	7,500	-	-	5,072	2,428
Combined Total - All County Funds, as Restated	\$ 10,153,135	\$ 16,407,402	\$ -	\$ -	\$ 13,727,211	\$ 12,833,326

Source: County Treasurer's Monthly Reports (presented for informational purposes)

**WOODWARD COUNTY
DESCRIPTION OF COUNTY FUNDS AND EXPLANATION OF TRANSFER
OPERATIONAL AUDIT
FOR THE FISCAL YEAR JUNE 30, 2014**

Description of County Funds

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 within the Presentation of Apportionments, Disbursements, and Cash Balances of County Funds:

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

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

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

Sales Tax – accounts for the 1/5% of one cent sales tax collected and disbursed on behalf of the following entities: fire fighting services (37.5%); county fair board (16.5%); OSU Extension Office (16.5%); fire safety and prevention (12%); drug abuse assistance education (17.5%); and Woodward County Detention Facility (.625% of one cent).

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

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

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

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

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

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

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

WOODWARD COUNTY
DESCRIPTION OF COUNTY FUNDS AND EXPLANATION OF TRANSFER
OPERATIONAL AUDIT
FOR THE FISCAL YEAR JUNE 30, 2014

Sheriff Jail Commissary – accounts for the profit on collection of funds on items sold to prisoners and disbursed for the purchase of additional merchandise to be sold and for jail operations as defined by state statute.

Fort Supply Lake Patrol – accounts for the collections from the State of Oklahoma. Disbursements are for the salary of a Sheriff's deputy to patrol Fort Supply Lake area.

Sheriff Prisoner Revolving – accounts for the collection of monies from the Oklahoma Department of Corrections and disbursements are for the purpose of maintaining the jail.

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

Sheriff Special – accounts for donations given to the Sheriff's office and disbursements are for the purchase of ammunition.

Sheriff Training – accounts for the collection of forfeitures of seized property and disbursements are for the purchase of equipment, materials, or supplies that may be used in crime prevention, education, training, or programming.

Northwest Oklahoma Juvenile Detention Center – accounts for state grants and county reimbursements and disbursements are to support the programs and services provided at the juvenile detention facility.

Northwest Oklahoma Cattle/Rural – accounts for restitution and donations and disbursements are for the expenses associated with combating cattle theft.

UTPHONE E-911 – accounts for five percent of a 911 fee received from the Excel Phone Company. Funds are disbursed to defray the cost of E-911 services.

Sara Title III – accounts for the \$20 fee for the Local Emergency Planning Committee for filing hazardous material reports, and for donations. Disbursements are to defray the cost of special search and recovery operations.

Wireless 911 Cell Phones – accounts for the revenue from fees charged on cell phones. Disbursements are for the operation of the E-911 system. The funds are collected through OEDA and passed on to the County.

County Rewards Program – accounts for collections remitted by the Court Clerk on cases where flaming or glowing substances are thrown from vehicles. Disbursements are for rewards for information leading to the arrest and conviction of such persons as outlined by state statute.

Quinlan Community Water Grant – accounts for a Community Development Block Grant and disbursements are for maintaining and refurbishing the Quinlan Community Rural Water District.

WOODWARD COUNTY
DESCRIPTION OF COUNTY FUNDS AND EXPLANATION OF TRANSFER
OPERATIONAL AUDIT
FOR THE FISCAL YEAR JUNE 30, 2014

Flood Plain Board – accounts for the collection of fees for flood plain permits issued by the Woodward County Flood Plain Board. Disbursements are the operations of the program.

Court Funded Payroll – accounts for funds deposited to be disbursed for payroll for the Court Clerk’s office.

National Association of County and City Health Officials Grant – accounts for a Department of Health and Human Services grant and disbursements are for strengthening the local Medical Reserve Corps Units through projects that align with one of the four focus areas: community resilience, chronic disease prevention, partners for empowered communities, and mental and emotional wellbeing.

Restatement of Fund Balance

During the fiscal year, the County had a reclassification of funds. Court Fund Payroll was reclassified as a county fund and represents payroll expenditures of County employees. Sanitary Landfill was reclassified as a trust and agency fund as it is under the direction of a multi-county authority.

Prior year ending balance, as reported	\$12,199,168
Funds reclassified to County Funds:	
Court Funded Payroll reclassified from a Trust and Agency Fund to a County Fund	7,893
Correction to Fund Balance for General Fund	2,500
Funds reclassified as Trust and Agency Funds:	
Sanitary Landfill reclassified from a County Fund to an Trust and Agency fund	<u>(2,056,426)</u>
Prior year ending balance, as restated	<u>\$10,153,135</u>

WOODWARD COUNTY, OKLAHOMA
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
COUNTY GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 2,159,210	\$ 2,161,710	\$ 2,500
Less: Prior Year Outstanding Warrants	(144,100)	(144,100)	-
Less: Prior Year Encumbrances	(19,344)	(7,107)	12,237
Beginning Cash Balances, Budgetary Basis	<u>1,995,766</u>	<u>2,010,503</u>	<u>14,737</u>
Receipts:			
Ad Valorem Taxes	2,546,351	2,294,549	(251,802)
Charges for Services	103,784	123,299	19,515
Intergovernmental Revenues	130,769	1,040,177	909,408
Miscellaneous Revenues	3,668	236,167	232,499
Total Receipts, Budgetary Basis	<u>2,784,572</u>	<u>3,694,192</u>	<u>909,620</u>
Expenditures:			
District Attorney	3,000	3,000	-
County Sheriff	1,105,870	1,097,952	7,918
County Treasurer	241,116	234,556	6,560
County Commissioners	302,187	195,344	106,843
County Clerk	324,632	312,499	12,133
Court Clerk	323,128	308,061	15,067
County Assessor	224,778	210,851	13,927
Revaluation of Real Property	219,391	184,199	35,192
Juvenile Shelter Bureau	37,800	17,150	20,650
General Government	1,792,027	355,691	1,436,336
Excise-Equalization Board	3,511	3,075	436
County Election Board	98,544	98,119	425
Charity	2,000	250	1,750
Recording Account	11,000	11,000	-
Civil Defense	40,000	40,000	-
County Audit Budget Account	51,354	48,047	3,307
Total Expenditures, Budgetary Basis	<u>4,780,338</u>	<u>3,119,794</u>	<u>1,660,544</u>
Excess of Receipts and Beginning Cash			
Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	2,584,901	<u>\$ 2,584,901</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		767	
Add: Current Year Outstanding Warrants		147,185	
Add: Current Year Reserves for Encumbrances		57,230	
Ending Cash Balance		<u>\$ 2,790,083</u>	

Source: County Estimate of Needs (presented for informational purposes)

WOODWARD 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

County Health Department Fund			
	Budget	Actual	Variance
Beginning Cash Balances	\$ 364,756	\$ 364,756	\$ -
Less: Prior Year Outstanding Warrants	(9,293)	(9,293)	-
Less: Prior Year Encumbrances	(71,115)	(67,337)	3,778
Beginning Cash Balances, Budgetary Basis	284,348	288,126	3,778
 Receipts:			
Ad Valorem Taxes	255,609	230,332	(25,277)
Charges for Services	10,861	71,905	61,044
Intergovernmental Revenues	-	232	232
Miscellaneous Revenues	-	65	65
Total Receipts, Budgetary Basis	266,470	302,534	36,064
 Expenditures:			
County Health Budget Account	550,818	328,687	222,131
Total Expenditures, Budgetary Basis	550,818	328,687	222,131
 Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis			
	\$ -	261,973	\$ 261,973
 Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		7	
Add: Current Year Outstanding Warrants		20,740	
Add: Current Year Reserves for Encumbrances		16,637	
Ending Cash Balance		\$ 299,357	

Source: County Estimate of Needs (presented for informational purposes)

**WOODWARD COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

PURPOSE, SCOPE, AND SAMPLE METHODOLOGY

This audit was conducted in response to 19 O.S. § 171, which requires the State Auditor and Inspector's Office to audit the books and accounts of county officers.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In planning and conducting our audit, we focused on the major financial related areas of operations based on assessment of materiality and risk for the fiscal year ended June 30, 2014. Our audit procedures included:

- Inquiries of appropriate personnel,
- Inspections of documents and records,
- Observations of the County's operations,
- Reconciling total apportionments, disbursements, and balances presented on the County's Presentation of Apportionments, Disbursements, and Cash Balances of County Funds for the fiscal year to the County Treasurer's and County Clerk's financial ledgers,
- Confirming third party confirmations to the financial ledgers,
- Selecting representative samples to determine disbursements were made in accordance with state statutes, approved ballots, and county purchasing procedures, and
- Gaining an understanding of the County's internal controls as it relates to each audit objective.

To ensure the samples were representative of the population and provided sufficient, appropriate evidence, both random sample and judgmental sample methodologies were used. We identified specific attributes for testing each of the samples and when appropriate, we projected our results to the population.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, errors or fraud may occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

This report is 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.

**WOODWARD COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Objective 1: To determine the receipts apportioned, disbursements, and cash balances are accurately presented on the County Treasurer’s monthly reports for FY 2014.

Conclusion: With respect to the items reconciled and reviewed; the receipts apportioned, disbursements, and cash balances were accurately presented on the County Treasurer’s monthly reports.

Objective 2: To determine the County’s financial operations complied with 68 O.S. § 1370E, which requires the sales tax collections to be deposited in the general revenue or Sales Tax Revolving Fund of the County and be used only for the purpose for which such sales tax was designated.

Conclusion: With respect to the items tested, the County did not comply with 68 O.S. § 1370E, which requires the sales tax collections to be deposited in the general revenue or Sales Tax Revolving Fund of the County and be used only for the purpose for which such sales tax was designated. Further, internal controls over the appropriation of the sales tax should be strengthened.

FINDINGS AND RECOMMENDATIONS

Finding 2014-3 - Inadequate Internal Controls Over Sales Tax Appropriations

Condition: Through observation of records, we noted all sales tax funds are appropriated to separate categories (line items) of the Sales Tax fund.

- Based upon inquiry of the County Treasurer and County Clerk we noted there are no independent verifications of amounts appropriated to the individual budgeted sales tax lines.
- Through recalculation of sales tax appropriations, we noted the following errors:

Month	Description	Amount Owed to Jail Debt	Amount Owed to Fair Debt
July 2013	The amounts collected for Jail Debt and Jail Maintenance and Operations were reversed.	\$ 87,571.47	\$ -
September 2013	The amounts collected for Jail Debt and Jail Maintenance and Operations were reversed.	100,173.63	-
November 2013	The amounts collected for Jail Debt and Jail Maintenance and Operations were reversed.	81,033.87	-
December 2013	The amounts collected for Fair Debt and Fair Maintenance and Operations were reversed.	-	133,057.78
TOTAL		<u>\$268,778.97</u>	<u>\$133,057.78</u>

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Cause of Condition: Policies and procedures have not been designed and implemented with regard to controls over all aspects of the sales tax appropriation process due to officials being unaware of the need for such procedures.

Effect of Condition: A lack of review over the sales tax appropriation process resulted in incorrect amounts being appropriated to the Jail Maintenance and Operation line item and the Fair Maintenance and Operation line items.

Recommendation: The Oklahoma State Auditor & Inspector's Office (OSAI) recommends management be aware of these conditions concerning the sales tax appropriations process and provide independent oversight of office operations and a periodic review of operations.

Additionally, we recommend the County Treasurer correct the errors as noted in the condition in order to accurately reflect the sales tax appropriations.

Management Response:

District 1 County Commissioner: We will compare the Treasurer's sales tax distribution worksheet to the "Cash Fund Estimate of Needs and Request for Appropriation" form.

District 2 County Commissioner: We will address this in the quarterly officer's meetings.

District 3 County Commissioner: During the quarterly officer's meeting, we will discuss procedures to ensure sales tax is appropriated properly.

County Clerk: We will make changes to the forms so they are more consistent between the County Clerk's and County Treasurer's office. We will do a recalculation of sales tax collected to ensure the distribution is correct and appropriated properly. I will work with the entities that receive sales tax to ensure they are aware of where their sales tax collections are on the appropriation ledger.

County Treasurer: I will work with the other officers to make sure they are checking the sales tax distribution worksheet to the "Cash Fund Estimate of Needs and Request for Appropriation."

Criteria: Accountability and stewardship are overall goals of management in accounting of funds. To help ensure a proper accounting of funds, appropriate independent review of collection and disbursement activity should be performed and documented.

Additionally, Title 68 O.S. § 1370E requires the sales tax collections to be deposited in the general revenue or Sales Tax Revolving Fund of the County and be used only for the purpose for which such sales tax was designated.

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Objective 3: To determine the County's financial operations complied with 68 O.S. § 2923, which requires the ad valorem tax collections to be apportioned and distributed monthly among the different funds to which they belong.

Conclusion: With respect to the items tested, the County complied with 68 O.S. § 2923, which requires the ad valorem tax collections to be apportioned and distributed monthly among the different funds to which they belong.

Objective 4: To determine whether the County's internal controls provide reasonable assurance that expenditures (including payroll) were accurately reported in the accounting records and financial operations complied with significant laws and regulations.

Conclusion: The County's internal controls did provide reasonable assurance that expenditures, (including payroll), were accurately reported in the accounting records; however, internal controls over the disbursement process should be strengthened.

The County's financial operations did not comply with 19 O.S. § 1505, which requires that disbursements be timely encumbered, properly authorized, and supported with adequate documentation.

FINDINGS AND RECOMMENDATIONS

2014-5 - Inadequate Internal Controls and Noncompliance Over the Disbursement Process (Repeat Finding)

Condition: Upon inquiry of officers and staff, observation of records, and test of disbursements, we noted the following weaknesses:

- The duties of processing disbursements are not adequately segregated. The County Clerk has one employee that has the ability to encumber funds, issue warrants, sign the warrants, and perform monthly reconciliations.
- Purchase orders are entered into the County Clerk's system and funds are encumbered prior to the County Clerk's office receiving signed authorization from the requisitioning officers.
- The test of thirty-three (33) purchase orders reflected the following areas of noncompliance with regard to state purchasing statutes:

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- One (1) of the requisitioning signatures was by a person who was not an authorized requisitioning officer of that fund.

Fund	Purchase Order	Warrant	Amount
UT Phone E911	2251	5	\$20,897.52

- One (1) travel claim was not completed by the individual filing for reimbursement.

Fund	Purchase Order	Warrant	Amount
County General	5638 (FY13)	360	\$212.34

- One (1) purchase order was issued for a contract that was no longer in effect.

Fund	Purchase Order	Warrant	Amount
Sales Tax SNA-1	1705	480	\$3,000.00

- One (1) instance in which the County received delivery of goods on multiple days, but the receiving report reflects all items were received on the same day.

Fund	Purchase Order	Warrant	Amount
Highway-D2	223	319	\$2,065.91

- The duties of processing payroll are not adequately segregated. The Payroll Clerk inputs new hires into the payroll software, makes payroll changes, prepares end of month payroll reports, prints payroll warrants, signs payroll warrants, and performs monthly reconciliations.
- Purchase orders for payroll are not reviewed by the County Clerk to ensure funds are available prior to the encumbrance of funds.
- Payroll warrants are being disbursed prior to the Board's approval for payment.
- A test of five (5) payroll claims and timesheets reflected three (3) timesheets were not approved by the officer or supervisor in District 2 and the County Sheriff's office.

Cause of Condition: Policies and procedures have not been designed and implemented with regard to the disbursement process to strengthen internal controls over segregation of duties and ensure compliance with state statutes.

Effect of Condition: These conditions resulted in noncompliance with state statutes and could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of funds.

Recommendation: OSAI recommends management be aware of these conditions and determine if duties can be properly segregated. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risk involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office, and having management review and approve accounting functions.

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

- Posting new hires and/or making payroll changes to the payroll system,
- Maintaining personnel files,
- Printing payroll warrants, and
- Preparing end of month payroll reports.

OSAI recommends the following in accordance with 19 O.S. § 1505C and § 1505E.

- Disbursements of county funds should be supported with invoices and receiving reports.
- Disbursements of county funds should be signed by the purchasing agent, reviewed, authorized, and charged to the proper account.
- The County Clerk should only encumber funds after the office receives signed authorization from a requisitioning officer.

OSAI additionally recommends each timesheet be signed by both the employee and the approving official prior to payment.

Management Response:

District 1 County Commissioner: I will assign another requisitioning officer in the courthouse to aid in signing requisitions prior to encumbrance. We will have additional Board of County Commissioners meetings to approve payroll before payroll is distributed.

District 2 County Commissioner:

- We will work on a solution to ensure the County Clerk's office has a signed requisition prior to the encumbrance of funds.
- The Board will implement a special payroll meeting to approve payroll claims.
- Approval of timesheets has been corrected.
- We will assign requisition and receiving officers for all funds and accounts.
- We will add the contract with the City of Woodward to the list of contracts approved on an annual basis.
- We will complete receiving reports on a daily basis.

District 3 County Commissioner: We will document items received on the receiving report and complete the receiving reports in a timely manner. We will appoint a requisitioning officer for the Commissioners to approve requisitions in their absence. We will have a payroll meeting to approve payroll prior to payroll being disbursed.

County Clerk: I am aware of the lack of segregation of duties, and I will explore ways to mitigate the risk. We will have written authorization prior to encumbering funds. The Officers will appoint a requisitioning officer for each fund and only those authorized requisitioning officers will be allowed to requisition goods or services. The purchasing agent will ensure funds are available for payroll and we will have a special meeting to approve payroll prior to payroll being disbursed.

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County Sheriff: We will add a signature line to the timesheet for the approving officer to verify the employees time.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designated to analyze and check accuracy, completeness, and authorization of disbursement calculations and/or transactions.

Additionally, effective internal controls require that management properly implement procedures to ensure that purchases are made in compliance with 19 O.S. § 1505A, § 1505C and § 1505E.

Title 19 O.S. § 1505C states in part, “After selection of a vendor, the procedure for the purchase, lease-purchase, or rental of supplies, materials, equipment and information technology and telecommunication goods and services used by a county shall be as follows:

1. The county purchasing agent shall prepare a purchase order in quadruplicate and submit it with a copy of the requisition to the county clerk;
2. The county clerk shall then encumber the amount stated on the purchase order and assign a sequential number to the purchase order;
3. If there is an unencumbered balance in the appropriation made for that purpose by the county excise board, the county clerk shall so certify in the appropriate form.”

Title 19 O.S. § 1505E states in part, “...the procedure for the receipt of items shall be as follows:

1. A receiving officer for the requesting department shall be responsible for receiving all items delivered to that department.”

REPORT ON STATUTORY COMPLIANCE – OTHER MATTERS



Oklahoma State Auditor & Inspector

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

Woodward County
Board of County Commissioners
Woodward County Courthouse
Woodward, Oklahoma 73801

Dear Chairman:

For the purpose of complying with 19 O.S. § 171 and 20 O.S. § 1312, we have performed statutory procedures regarding the following offices and departments for the fiscal year ended June 30, 2014:

- All County Offices - Fixed Assets procedures (19 O.S. § 178.1 and 69 O.S. § 645).
- All County Offices - Consumable Inventories procedures (19 O.S. § 1502 and 19 O.S. § 1504).
- Court Clerk procedures (20 O.S. § 1304 and 19 O.S. § 220).
- Inmate Trust Fund procedures (19 O.S. § 531 and 19 O.S. § 180.43).

Our statutory compliance engagement was limited to the procedures related to the statutes above and was less in scope than an audit performed in accordance with generally accepted auditing standards. Accordingly, we do not express an opinion on any basic financial statement of Woodward County.

Based on our procedures performed, we have presented our findings in the accompanying schedule.

This report is intended for the information and use of the management of the County. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

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

March 20, 2017

**WOODWARD COUNTY, OKLAHOMA
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SCHEDULE OF FINDINGS AND RESPONSES

Finding 2014-7 - Inadequate Internal Controls and Noncompliance Over the Inmate Trust Fund Checking Account

Condition: Upon inquiry of County Officials and employees, and observation of the Inmate Trust Fund Checking Account, we noted the following weaknesses:

- One employee has administrative rights and has the ability to issue receipts, void receipts, prepare the deposit, issue checks, and reconcile the bank statement.
- Policies and procedures regarding unclaimed funds have not been designed and implemented.

Cause of Condition: Policies and procedures have not been designed and implemented with regard to the Inmate Trust Fund Checking Account to ensure adequate segregation of duties and effective internal controls over the proper handling of unclaimed funds.

Effect of Condition: These conditions resulted in noncompliance with state statute and could result in unrecorded transactions, misstated financial reports, undetected errors, and misappropriation of funds.

Recommendation: OSAI recommends the key duties and responsibilities are segregated among different individuals to reduce the risk of error or fraud. No one individual should have the ability to have physical custody of assets, prepare deposits, and make deposits. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risks involved with a concentration of duties. Compensating controls would include having management review and approve accounting functions. OSAI further recommends the Sheriff follow statutory procedures regarding unclaimed property.

Management Response:

County Sheriff: We will establish procedures to review the bank statements prior to the bank reconciliation, review and initial the bank reconciliations, and review and initial voided receipts. I will discuss with the District Attorney the legal procedures needed to handle unclaimed funds.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designated to analyze and check accuracy, completeness, and authorization of calculations and/or transactions. To help ensure a proper accounting of funds, no one individual should have the ability to have physical custody of assets, prepare deposits, and make deposits.

Further, 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,

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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.

Finding 2014-8 – Inadequate Internal Controls and Noncompliance Over Commissary Fund Reporting (Repeat Finding)

Condition: The County Sheriff has filed an annual report of the Commissary Fund with the Board of County Commissioners; however, the report did not include the beginning balance, revenues, expenditures, and ending balance.

Cause of Condition: Policies and procedures have not been designed to present all of the activities of the Commissary Fund to the Board of County Commissioners.

Effect of Condition: These conditions resulted in noncompliance with the state statute and could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of funds.

Recommendation: OSAI recommends a complete annual report, reflecting beginning balance, revenues, expenditures, and ending balance of Sheriff Jail Commissary Fund be submitted to the Board of County Commissioners no later than January 15th of each year.

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Management Response:

County Sheriff: We will submit a Commissary Report with beginning balance, revenues, expenditures, and ending balance to the Board of County Commissioners by January 15th of each year.

Criteria: Title 19 O.S. § 180.43.D provides guidance with regard to the operation of the Sheriff's Commissary Fund, including filing an annual report by January 15th, of each year.

Finding 2014-9 - Inadequate Internal Controls and Noncompliance Over Fixed Assets (Repeat Finding)

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

County Clerk

- The following item was disposed of but not removed from the County Clerk's inventory records:
 - F-219.21 – HP Laser Printer

County Sheriff

- An annual physical fixed assets inventory verification was not performed.
- One (1) of the ten (10) items selected was not properly marked with the county identification number.
 - Compaq Presario – SN 4CE02606QP

District 1

- There was no documentation retained to verify that annual physical inventory verification was performed.
- One (1) of the fixed assets selected did not have an inventory number on the equipment.
 - D1-413-106 – 12,000 Gallon Fuel Tank
- One (1) of the fixed assets selected did not have the correct inventory number on the equipment.
 - D1-316-172 was incorrectly marked as 499-105 – Bandit 1390 HD Chipper.

District 2

- There was no documentation retained to verify that an annual physical inventory verification was performed.
- Two (2) of the fixed assets selected did not have "Property of Woodward County" on the equipment.
 - D2-332-207 – 2005 John Deere 624 Loader – SN: DW624JZ599302
 - D2-356-100 – 2008 Excavator Track Hoe – SN: FF200DX510997

District 3

- There was no documentation retained to verify that an annual physical inventory verification was performed.

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Cause of Condition: Policies and procedures have not been designed and implemented to ensure compliance with the state statutes regarding maintaining and properly identifying fixed assets.

Effect of Condition: These conditions resulted in noncompliance with state statutes. Further, when fixed assets are not monitored, opportunities for misuse or loss of equipment can occur.

Recommendation: OSAI recommends management implement internal controls to ensure compliance with 19 O.S. § 178.1, 19 O.S. § 421.1, 19 O.S. § 1502 (A)(1), 19 O.S. § 1502 (B)(1) and 69 O.S. § 645, by maintaining inventory records and marking assets with county identification numbers and “Property of Woodward County.” OSAI recommends the County perform and document a periodic inventory of fixed assets.

Management Response:

District 1 County Commissioner: I will plan on having a District 1 employee perform an annual inventory. The annual inventory will be signed and dated by the employee. Records and equipment have been updated to reflect the correct identification number.

District 2 County Commissioner: I have purchased stickers and all District 2 equipment has been marked. I will sign and date the annual inventory for District 2.

District 3 County Commissioner: I will perform an annual fixed asset inventory and the inventory will be signed and dated.

County Clerk: I have made changes to ensure this condition does not happen again.

County Sheriff: We will make sure that inventory identification numbers are on all equipment and perform an annual inventory count. The annual inventory will be signed and dated.

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

Title 19 O.S. § 178.1 requires the board of county commissioners in each county of this state to take or cause to be taken, an inventory of all working tools, apparatus, machinery and equipment.

Title 19 O.S. § 421.1, which requires “...the following procedures shall be used for the sale, by the board of county commissioners, of any tools, apparatus, machinery or equipment, the original cost of which exceeded Five Hundred Dollars (\$500.00), belonging to the county: 1. The board of county commissioners shall give notice of such sale by publication in a newspaper of general paid circulation in the county for two (2) successive weekly issues; 2. Bids for such tools, apparatus, machinery or equipment on sale shall be in writing, sealed and delivered to the county clerk of such county; 3. At the next regular meeting of the board of county commissioners after the expiration of fifteen (15) days from

**WOODWARD COUNTY, OKLAHOMA
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the date of first publication of notice of the sale, the board of county commissioners shall open such bids and award such tools, apparatus, machinery or equipment to the highest and best bidder with the option of rejecting all bids; and 4. The board of county commissioners may hold a public auction or use an Internet auction, which may include online bidding, in lieu of advertising for sealed bids as provided above. Such auction shall be advertised as provided herein...”

Title 19 O.S. § 1502(A)(1) requires a prescribed uniform identification system for all supplies, materials, and equipment of a county used for maintenance for roads and bridges.

Title 19 O.S. § 1502(B)(1) requires a prescribed uniform identification system for all supplies, materials, and equipment of a county not used in the construction and maintenance for roads and bridges.

Title 69 O.S. § 645 requires all county owned, rented, or leased road machinery or equipment be clearly and visibly marked “Property Of.”

Finding 2014-11 - Inadequate Internal Controls and Noncompliance Over Consumable Inventories

Condition: Upon inquiry and observation consumable inventory items, we noted the following exceptions:

District 1

- District 1 did not perform a monthly physical consumable inventory.
- Transfer documents were not used. All communication regarding consumable inventory is verbal.

District 2

- Transfer documents were completed, but not signed by the appropriate employee removing consumable items from the yard.

District 3

- Observation indicated that inventory cards were not kept up to date.
- District 3 did not perform monthly physical consumable inventory verification.
- Of the five (5) items selected for inspection, four (4) did not agree to the count on the inventory cards.

Cause of Condition: Policies and procedures have not been designed and implemented with regard to accounting for and safeguarding the consumable items.

Effect of Condition: These conditions resulted in noncompliance with the state statute. When consumable inventory items are not adequately accounted for and safeguarded there is an opportunity for misappropriation and undetected errors.

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Recommendation: OSAI recommends that the County implement policies and procedures to ensure compliance with 19 O.S. § 1504, which would provide assurance that the consumable items of the County are protected from loss and misuse.

OSAI also recommends the performing and documenting of a monthly consumable inventory count. Counts should be initialed and dated by the employee performing the physical count and retained to show the design and implementation of internal controls by the County Commissioners. Additionally, the key functions of receiving duties and consumable inventory control duties should be performed by separate employees in order to effectively segregate those duties.

Management Response:

District 1 County Commissioner: I will speak to the software provider for proper procedures for utilizing transfer documents. District 1 will perform a monthly consumable inventory and the inventory will be signed and dated.

District 2 County Commissioner: We will sign transfer documents for all consumable inventory removed from the District yard.

District 3 County Commissioner: District 3 will measure all inventories and update the inventory cards.

Criteria: An important aspect of internal controls is the safeguarding of assets. Internal controls 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 acquisition, use or disposition of consumable inventory.

Title 19 O.S. § 1504 requires the receiving officer to maintain a record of all items received, disbursed, stored and consumed by the department.



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