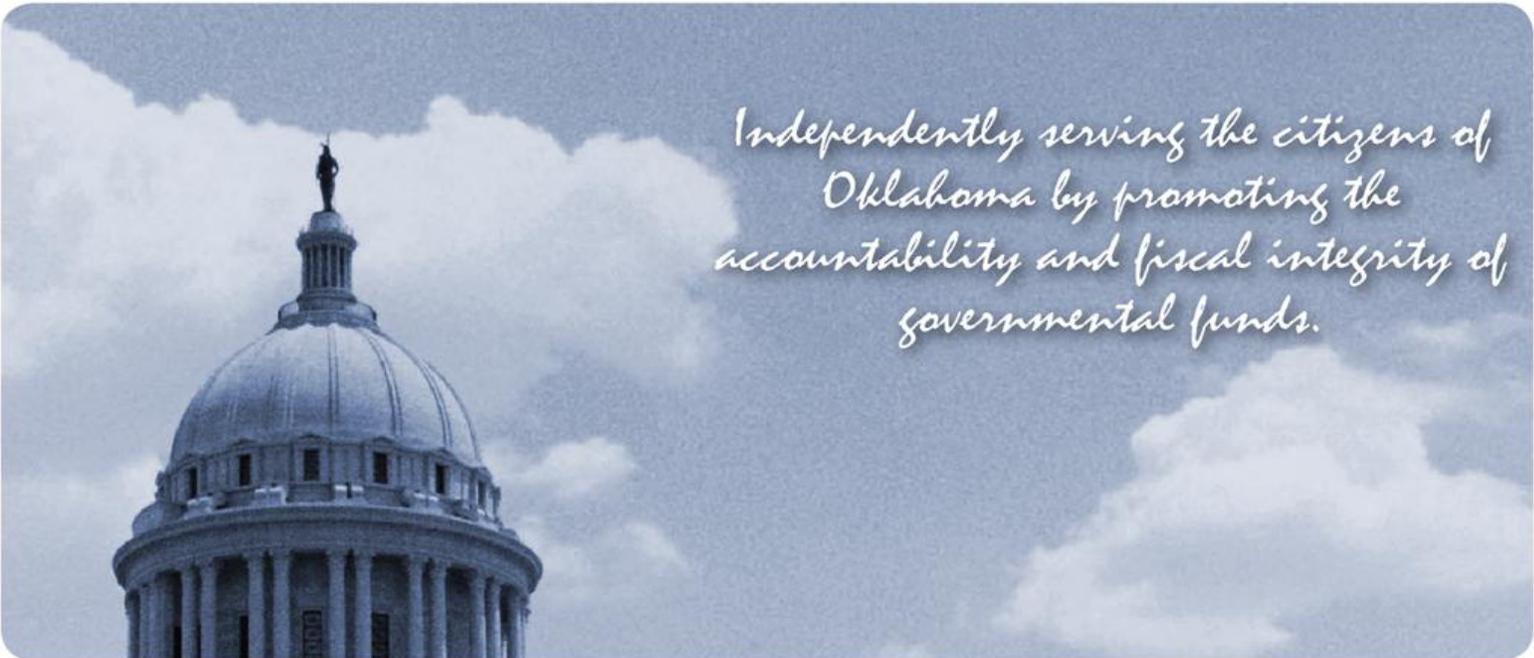


COUNTY AUDIT

# CANADIAN COUNTY

For the fiscal year ended June 30, 2012



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



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

**CANADIAN COUNTY, OKLAHOMA  
FINANCIAL STATEMENT  
AND INDEPENDENT AUDITOR'S REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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This publication, issued by the Oklahoma State Auditor and Inspector's Office as authorized by 19 O.S. § 171, has not been printed, but is available on the agency's website ([www.sai.ok.gov](http://www.sai.ok.gov)) and in the Oklahoma Department of Libraries Publications Clearinghouse Digital Collection, pursuant to 74 O.S. § 3105.B.



# Oklahoma State Auditor & Inspector

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

March 5, 2014

TO THE CITIZENS OF  
CANADIAN COUNTY, OKLAHOMA

Transmitted herewith is the audit of Canadian County, Oklahoma for the fiscal year ended June 30, 2012. The audit was conducted in accordance with 19 O.S. § 171.

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

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

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

Sincerely,

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

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

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

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

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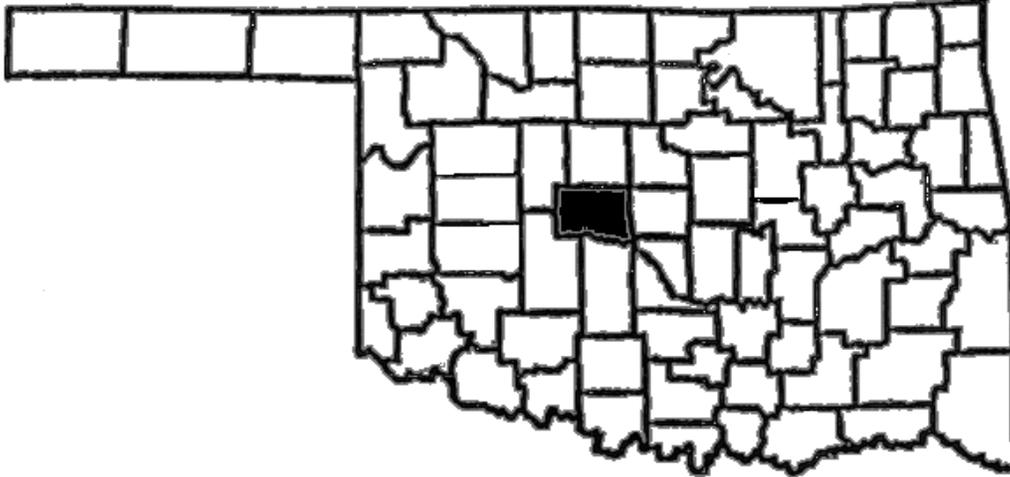
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PRESENTED FOR INFORMATIONAL PURPOSES ONLY**

**CANADIAN COUNTY, OKLAHOMA  
STATISTICAL INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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This county was once part of the Cheyenne and Arapaho reservation, administered by the Darlington Agency. It was opened by the Run of '89 and the Run of '92, but the southwest corner of the county, part of the Caddo Reservation, was opened by lottery in 1901.

Fort Reno, established in 1874 to maintain order on the reservation, later served as a cavalry remount station. During World War II, it served as a prisoner-of-war camp.

The economy of Canadian County is based largely on agriculture, and Yukon served for a number of years as a major regional milling center.

The county seat, El Reno, was an early railroad center, and headquarters of the southern district of the Rock Island Railroad until its demise in 1981. Railroad service is still provided by the Oklahoma, Kansas, and Texas line.

Annual events include '89er Days in April, Fort Reno and Indian Territory Days in Fort Reno, Chisholm Trail Festival (Yukon) in June, and Czech Festival (Yukon) in October. Historical information is available in the History of Canadian County and Family Histories of Canadian County. Both books are available for purchase.

For more information, call the county clerk's office at 405/262-1070, or visit [www.canadiancounty.org](http://www.canadiancounty.org) on the web.

County Seat – El Reno

Area – 905.17 Square Miles

County Population – 109,668  
(2009 est.)

Farms – 1,447

Land in Farms – 508,771 Acres

Primary Source: Oklahoma Almanac 2011-2012

**Board of County Commissioners**

District 1 – Phil Carson  
District 2 – David Anderson  
District 3 – Jack Stewart

**County Assessor**

Matt Wehmuller

**County Clerk**

Shelley Dickerson

**County Sheriff**

Randall Edwards

**County Treasurer**

Carolyn Leck

**Court Clerk**

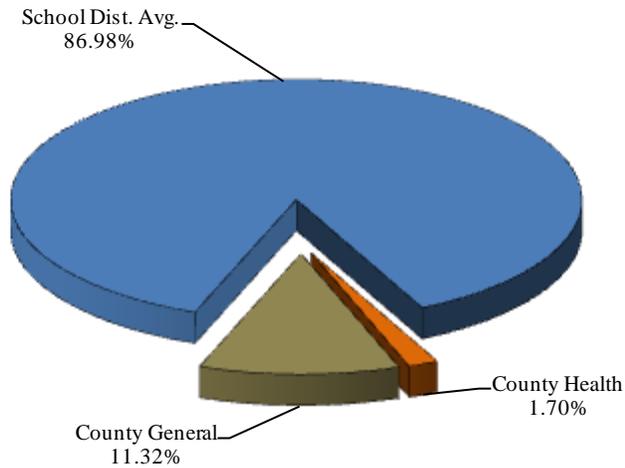
Marie Ramsey

**District Attorney**

Mike Fields

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

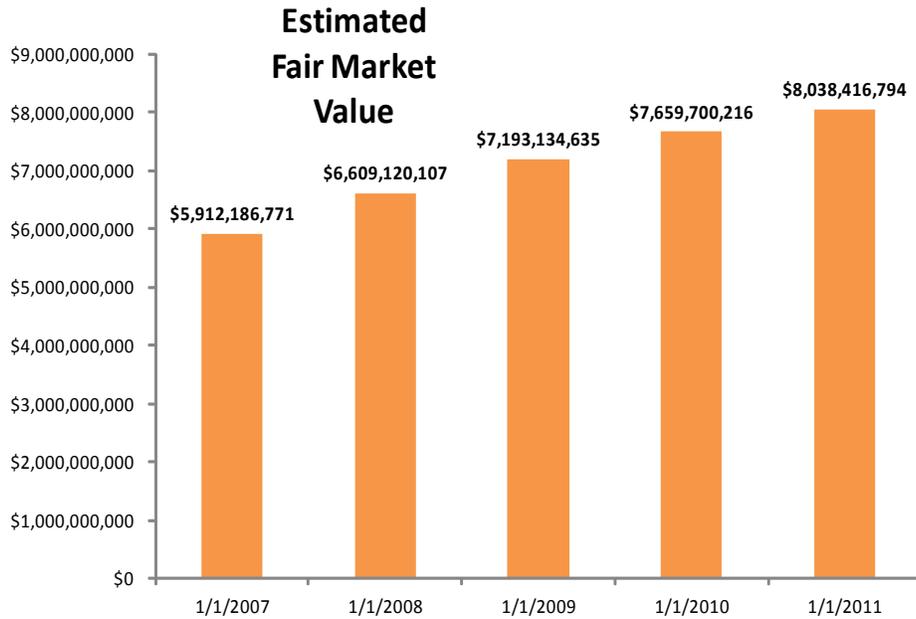
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the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



County-Wide Millages		School District Millages										
County General	County Health	Gen.	Bldg.	Skg.	Career Tech	Career Bldg	Common	EMS	Rural Fire Department	City Sinking	Total School	
10.39	1.56	Minco	38.46	5.49	24.89	10.40	5.20	4.16	-	-	-	88.60
		Deer Creek	35.38	5.05	35.93	10.11	5.05	4.16	-	-	-	95.68
		Lookeba-Sickles	42.96	6.14	10.46	10.43	1.04	4.16	3.08	-	-	78.27
		Piedmont	36.75	5.25	31.71	10.40	5.20	4.16	-	7.00	-	100.47
		Yukon	36.53	5.22	29.59	10.40	5.20	4.16	-	7.00	7.09	105.19
		Yukon/City	36.53	5.22	29.59	10.40	5.20	4.16	-	-	-	91.10
		Riverside	36.01	5.14	-	10.40	5.20	4.16	-	7.00	-	67.91
		Banner	36.12	5.16	2.23	10.40	5.20	4.16	-	-	-	63.27
		El Reno	36.01	5.14	26.63	10.40	5.20	4.16	-	-	-	87.54
		Union City	36.17	5.17	14.30	10.40	5.20	4.16	-	-	-	75.40
		Mustang	36.31	5.19	23.57	10.40	5.20	4.16	-	-	1.81	86.64
		Darlington	36.65	5.24	-	10.40	5.20	4.16	-	-	-	61.65
		Calumet	36.37	5.20	18.53	10.40	5.20	4.16	-	-	-	79.86
		Geary	36.24	5.18	10.10	-	-	4.16	3.11	-	-	58.79
		Cashion	37.03	5.29	18.72	-	-	4.16	3.00	-	-	68.20
		Okarche	36.19	5.17	22.93	-	-	4.16	-	-	-	68.45

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

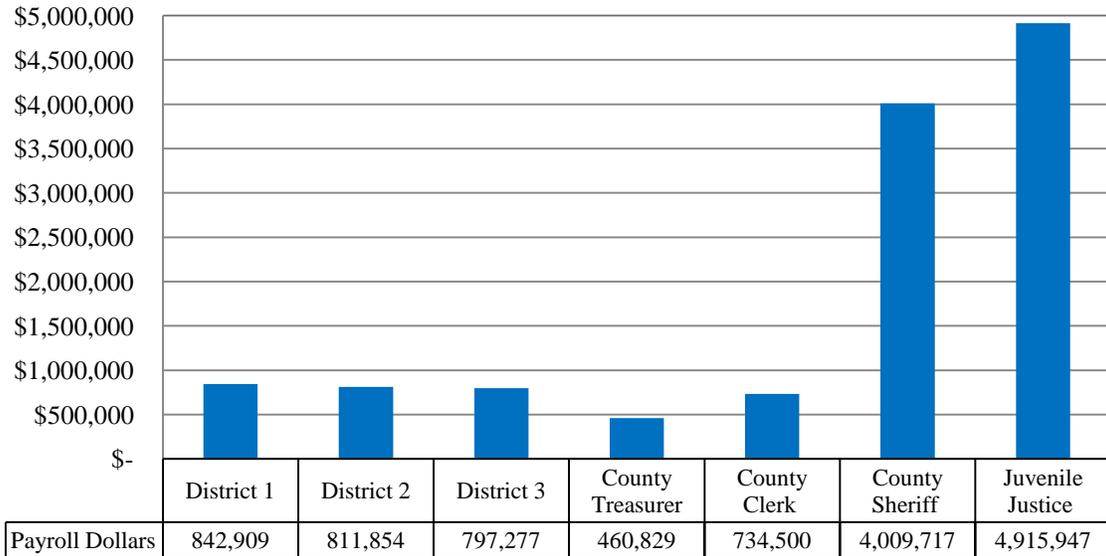
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2011	\$148,872,540	\$55,561,049	\$708,606,194	\$32,149,135	\$880,890,648	\$8,038,416,794
1/1/2010	\$138,593,249	\$52,345,091	\$678,774,825	\$31,328,095	\$838,385,070	\$7,659,700,216
1/1/2009	\$136,159,471	\$48,958,391	\$631,516,748	\$25,866,127	\$790,768,483	\$7,193,134,635
1/1/2008	\$114,798,174	\$49,011,434	\$588,610,912	\$28,925,184	\$723,495,336	\$6,609,120,107
1/1/2007	\$91,748,155	\$49,011,434	\$534,998,264	\$25,047,854	\$650,709,999	\$5,912,186,771



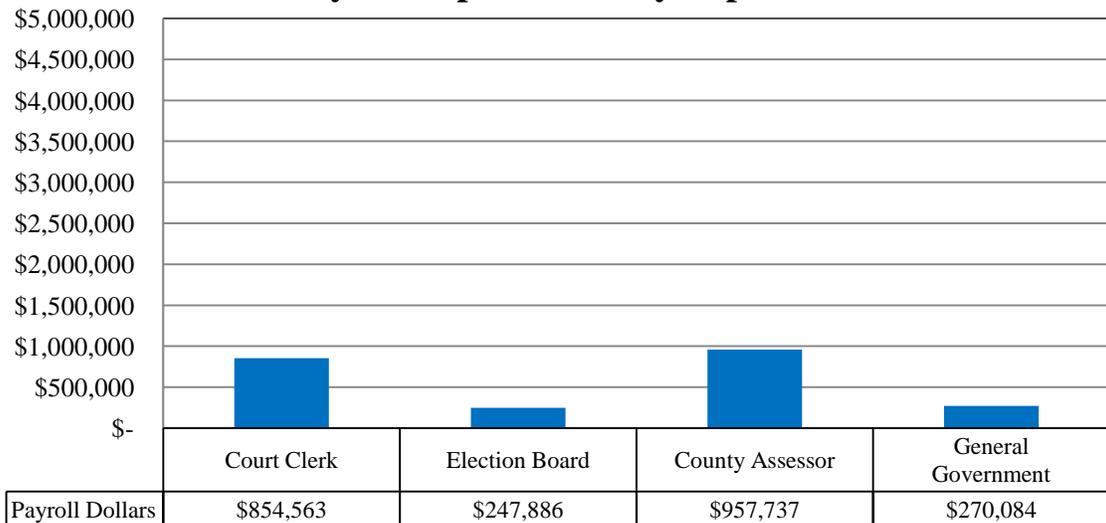
**CANADIAN COUNTY, OKLAHOMA  
COUNTY PAYROLL EXPENDITURES ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

County officers' salaries are based upon the assessed valuation and population of the counties. State statutes provide guidelines for establishing elected officers' salaries. The Board of County Commissioners sets the salaries for all elected county officials within the limits set by the statutes. The designated deputy or assistant's salary cannot exceed the principal officer's salary. Salaries for other deputies or assistants cannot exceed the principal officer's salary. The information presented below is for the fiscal year ended June 30, 2012.

**Payroll Expenditures by Department**



**Payroll Expenditures by Department**

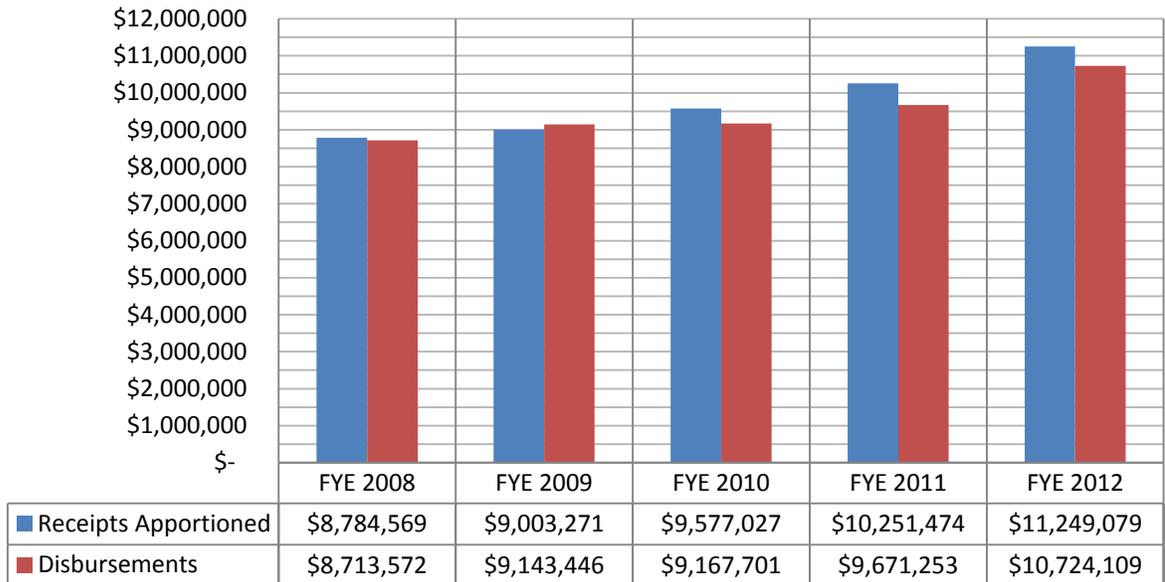


**CANADIAN COUNTY, OKLAHOMA  
COUNTY GENERAL FUND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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## County General Fund

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

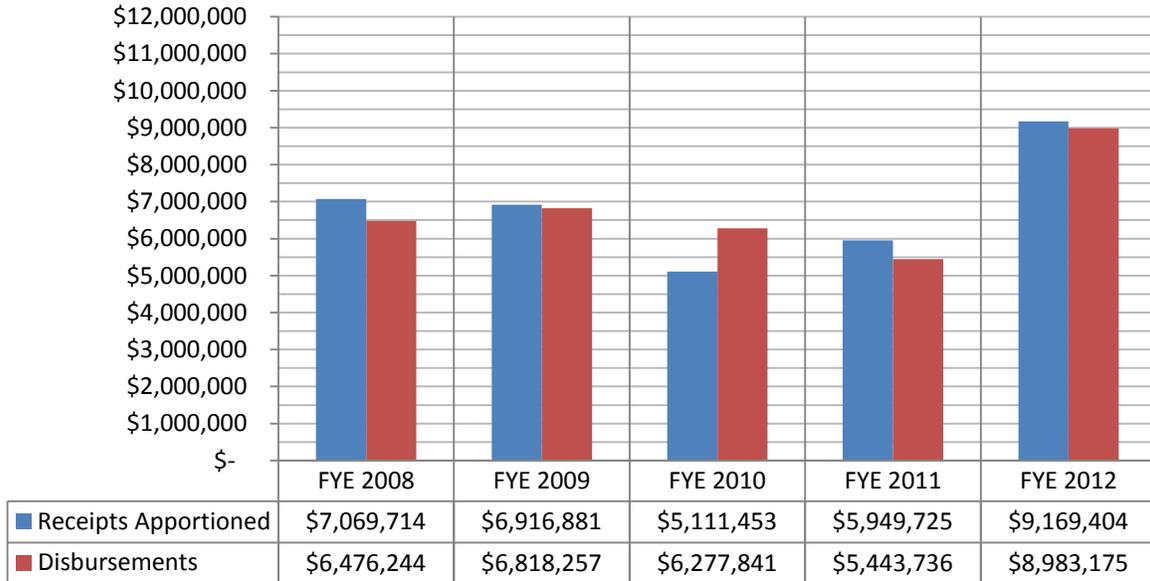


**CANADIAN COUNTY, OKLAHOMA  
COUNTY HIGHWAY FUND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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## County Highway Fund

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



## **FINANCIAL SECTION**



# Oklahoma State Auditor & Inspector

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

## Independent Auditor's Report

TO THE OFFICERS OF  
CANADIAN COUNTY, OKLAHOMA

We have audited the combined total—all county funds on the accompanying regulatory basis Statement of Receipts, Disbursements, and Changes in Cash Balances of Canadian County, Oklahoma, as of and for the year ended June 30, 2012, listed in the table of contents as the financial statement. This financial statement is the responsibility of Canadian County's management. Our responsibility is to express an opinion on the combined total—all county funds on this financial statement based on our audit.

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

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

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Canadian County as of June 30, 2012, or changes in its financial position for the year then ended.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash balances for all county funds of Canadian County, for the year ended June 30, 2012, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2014, on our consideration of Canadian County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the combined total of all county funds on the financial statement. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statement. The remaining Other Supplementary Information, as listed in the table of contents, is presented for purposes of additional analysis, and is not a required part of the financial statement. Such supplementary information has been subjected to the auditing procedures applied in the audit of the combined total—all county funds on the regulatory basis Statement of Receipts, Disbursements and Changes in Cash Balances and, in our opinion, is fairly stated, in all material respects, in relation to the combined total—all county funds. The information listed in the table of contents under Introductory Section has not been audited by us, and accordingly, we express no opinion on it.

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

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

March 4, 2014

**REGULATORY BASIS FINANCIAL STATEMENT**

**CANADIAN COUNTY, OKLAHOMA  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH BALANCES—REGULATORY BASIS  
(WITH COMBINING INFORMATION)—MAJOR FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Beginning Cash Balances July 1, 2011	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2012
Combining Information:						
Major Funds:						
County General Fund	\$ 3,663,201	\$ 11,249,079	\$ 960,609	\$ 800,000	\$ 10,724,109	\$ 4,348,780
County Highway Cash	3,364,845	9,169,404	175,234	-	8,983,175	3,726,308
Juvenile Justice Detention Facility	959,640	2,264,282	5,729,539	-	6,466,237	2,487,224
County Sales Tax	-	6,494,961	-	5,729,539	765,422	-
County Health Department	1,258,801	1,543,221	-	-	1,098,548	1,703,474
Sheriff Service Fee	742,636	933,488	-	-	1,092,620	583,504
Resale Property	858,685	781,151	800,000	1,281,828	386,343	771,665
CBRI 105	1,220,815	525,097	-	175,234	268,785	1,301,893
Remaining Aggregate Funds	1,326,973	592,975	-	-	908,905	1,011,043
<b>Combined Total - All County Funds</b>	<b>\$ 13,395,596</b>	<b>\$ 33,553,658</b>	<b>\$ 7,665,382</b>	<b>\$ 7,986,601</b>	<b>\$ 30,694,144</b>	<b>\$ 15,933,891</b>

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

**CANADIAN COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

Canadian 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.

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

Juvenile Justice Detention Facility – accounts for the receipt and disbursement of funds for the purpose of construction and operations of the Canadian County Juvenile Justice Detention Facility.

County Sales Tax – accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax resolution.

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

**CANADIAN COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

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

CBRI 105 – The County Bridge and Road Improvement fund accounts for state receipts and disbursements for the purpose of improving county roads and bridges.

**C. Basis of Accounting**

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

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

**D. Budget**

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

**E. Cash and Investments**

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

**CANADIAN COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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pledged is established by the County Treasurer; this amount must be at least the amount of the deposit to be secured, less the amount insured (by, for example, the FDIC).

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

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

**2. Ad Valorem Tax**

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

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

**3. Other Information**

**A. Pension Plan**

Plan Description. The County contributes to the Oklahoma Public Employees Retirement Plan (the Plan), a cost-sharing, multiple-employer defined benefit pension plan administered by the Oklahoma Public Employees Retirement System (OPERS). Benefit provisions are established and amended by the Oklahoma Legislature. The Plan provides retirement, disability, and death benefits to Plan members and beneficiaries. Title 74, Sections 901 through 943, as amended, establishes the provisions of the Plan. OPERS issues a publicly available financial report that includes financial statements and supplementary information. That report may be obtained by writing OPERS, P.O. Box 53007, Oklahoma City, Oklahoma 73105 or by calling 1-800-733-9008.

**CANADIAN COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

---

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.

**D. Sales Tax**

On August 27, 1996, a 0.35% sales tax was passed by voters to extend for an unlimited period to provide revenues for financing, construction and equipment, and operations of a Juvenile Delinquent Detention Facility and Juvenile Justice Facility in Canadian County. For the fiscal year ended June 30, 2012, the County apportioned \$6,494,961 to the County Sales Tax fund.

**E. Interfund Transfers**

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

- \$800,000 to the County General Fund from the Resale Property fund to cover non-payable warrants issued from the County General Fund.
- \$800,000 from the County General Fund to reimburse the Resale Property fund after adequate ad valorem collections were apportioned to the County General Fund.
- \$175,234 to the County Highway Cash fund from the CBRI 105 for projects completed.

**CANADIAN COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

---

- \$5,729,539 to the Juvenile Justice Detention Facility from the County Sales Tax fund for expenses of the Gary E. Miller Children's Justice Center.
  
- \$481,828 was transferred from the Resale Property fund to distribute surplus fund to the County General Fund (\$160,609), Schools (\$160,610), and Cities and Towns (\$160,609).

**OTHER SUPPLEMENTARY INFORMATION**

**CANADIAN COUNTY, OKLAHOMA**  
**COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND**  
**CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—**  
**GENERAL FUND - CONTINUED**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 3,663,201	\$ 3,663,201	\$ -
Less: Prior Year Outstanding Warrants	(421,518)	(421,518)	-
Less: Prior Year Encumbrances	(254,255)	(217,705)	36,550
Beginning Cash Balances, Budgetary Basis	<u>2,987,428</u>	<u>3,023,978</u>	<u>36,550</u>
Receipts:			
Ad Valorem Taxes	8,413,704	8,834,509	420,805
Charges for Services	754,089	1,052,442	298,353
Intergovernmental Revenues	742,132	1,142,902	400,770
Miscellaneous Revenues	2,596	219,226	216,630
Total Receipts, Budgetary Basis	<u>9,912,521</u>	<u>11,249,079</u>	<u>1,336,558</u>
Expenditures:			
District Attorney - State	20,600	12,715	7,885
District Attorney - County	2,795	2,223	572
County Sheriff	4,526,796	4,510,965	15,831
County Treasurer	449,848	446,566	3,282
County Commissioners	403,029	397,855	5,174
County Commissioners OSU Ext	282,918	268,714	14,204
County Clerk	835,290	824,803	10,487
Court Clerk	924,504	891,379	33,125
County Assessor	776,601	695,420	81,181
Revaluation	597,009	526,265	70,744
General Government	2,530,267	930,215	1,600,052
Excise - Equalization	11,000	9,005	1,995
County Election Expense	345,528	308,843	36,685
Insurance - Benefits	286,859	286,858	1
Charity	2,000	500	1,500
Solid Waste	67,217	65,046	2,171
Highway Budget	347,558	346,159	1,399
County Audit Budget Account	199,915	18,597	181,318
Free Fair Budget Account	177,766	176,950	816
Library Budget Account	107,449	102,547	4,902
Total Expenditures, Budgetary Basis	<u>12,894,949</u>	<u>10,821,625</u>	<u>2,073,324</u>

Continued on next page

**CANADIAN COUNTY, OKLAHOMA  
 COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND  
 CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—  
 GENERAL FUND - CONTINUED  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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	General Fund		
	Budget	Actual	Variance
Continued from previous page			
Provision for Interest on Warrants	5,000	233	4,767
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	3,451,199	\$ 3,451,199
Interfund Transfers:			
Interfund Transfers In		960,609	
Interfund Transfers Out		(800,000)	
Net Interfund Transfers		160,609	
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Reserves		337,045	
Add: Current Year Outstanding		399,927	
Ending Cash Balance		\$ 4,348,780	

**CANADIAN COUNTY, OKLAHOMA  
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND  
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—  
COUNTY HEALTH DEPARTMENT FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 1,258,801	\$ 1,258,801	\$ -
Less: Prior Year Outstanding Warrants	(77,750)	(77,750)	-
Less: Prior Year Encumbrances	(164,602)	(157,758)	6,844
Beginning Cash Balances, Budgetary Basis	1,016,449	1,023,293	6,844
Receipts:			
Ad Valorem Taxes	1,263,270	1,350,566	87,296
Charges for Services	9,197	184,249	175,052
Miscellaneous	-	8,406	
Total Receipts, Budgetary Basis	1,272,467	1,543,221	270,754
Expenditures:			
County Health Budget Account	2,288,916	1,036,091	1,252,825
Total Expenditures, Budgetary Basis	2,288,916	1,036,091	1,252,825
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	1,530,423	\$ 1,530,423
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Reserves		15,138	
Add: Current Year Outstanding Warrants		157,913	
Ending Cash Balance		\$ 1,703,474	

**CANADIAN COUNTY, OKLAHOMA  
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH BALANCES—REGULATORY BASIS—  
REMAINING AGGREGATE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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	Beginning Cash Balances July 1, 2011	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2012
Remaining Aggregate Funds:				
Assessor Visual Inspection Investment	\$ 83,215	\$ 42	\$ -	\$ 83,257
Assessor Revolving	55,419	6,694	-	62,113
Sheriff Commissary	76,857	7,963	1,766	83,054
Sheriff Prisoner Care	251,063	173,256	297,307	127,012
Sheriff Benefit	5,079	2,000	1,016	6,063
Sheriff Training	13,404	-	7,445	5,959
Sheriff Federal Equitable Sharing	36,136	26,131	36,272	25,995
Sheriff Reward Fund/Trash Cop	4,095	203	3,697	601
Grant Cash Voucher Fund	34,762	55,364	58,474	31,652
Treasurer Mortgage Tax Certification Fee	221,358	34,730	173,977	82,111
County Clerk Lien Fee	104,433	69,544	91,253	82,724
County Clerk Records Preservation Fee	131,296	164,077	195,597	99,776
Emergency Management	22,383	16,805	18,440	20,748
Flood Plain	35,931	21,250	7,249	49,932
County River Bridge Improvement	251,542	21	1,517	250,046
Youth and Family Services	-	14,895	14,895	-
<b>Combined Total - Remaining Aggregate Funds</b>	<b>\$ 1,326,973</b>	<b>\$ 592,975</b>	<b>\$ 908,905</b>	<b>\$ 1,011,043</b>

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

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**1. Budgetary Schedules**

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

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

**2. Remaining County Funds**

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

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

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

Sheriff Commissary – accounts for the collection of the sale of items to inmates and disbursements to purchase commissary goods from the vendor. Excess funds are used for maintenance and operation of the jail.

Sheriff Prisoner Care – accounts for state receipts and disbursements for the purpose of housing and feeding Department of Correction inmates.

Sheriff Benefit – accounts for donations to be used for the lawful expenditures of the office.

Sheriff Training – accounts for the collection of forfeitures and disbursed for training and equipment.

Sheriff Federal Equitable Sharing – accounts for monies received from federal grants and disbursed for law enforcement purposes.

Sheriff Reward Fund/Trash Cop – accounts for federal funds collected and disbursed for the purpose of trash patrol.

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

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Grant Cash Voucher Fund – accounts for monies received from state or federal grants to be expended as outlined by grant agreements.

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

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

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

Emergency Management – accounts for the collection of grant money to be disbursed for the purpose of Homeland Security by Canadian County.

Flood Plain – accounts for the collection of flood plain permits. Money is disbursed for computer software in relation to flood mapping.

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

Youth and Family Services – pass through fund that accounts for grant money from the Department of Commerce for Youth and Family Services.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**CANADIAN COUNTY, OKLAHOMA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE:</b>			
Passed through Oklahoma Department of Education:			
Child Nutrition Program			
School Breakfast Program	10.553		\$ 29,513
National School Lunch Program	10.555		23,145
Total U.S. Department of Agriculture			<u>52,658</u>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</b>			
Passed Through Oklahoma Department of Commerce:			
Emergency Solutions Grant Program	14.231		14,895
Total U.S. Department of Housing and Urban Development			<u>14,895</u>
<b>U.S. DEPARTMENT OF INTERIOR:</b>			
Direct Grant:			
Payments in Lieu of Taxes	15.226		400
Total U.S. Department of Interior			<u>400</u>
<b>U.S. DEPARTMENT OF JUSTICE:</b>			
Passed Through Oklahoma Office of Juvenile Affairs:			
Juvenile Accountability Block Grants	16.523		178,726
Passed Through Oklahoma Department of Human Services:			
Title V_Delinquency Prevention Program	16.548		27,589
Passed Through Oklahoma Department of Mental Health and Substance Abuse:			
Drug Court Discretionary Grant Program	16.585		25,790
Passed Through the District Attorney's Council:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738		9,051
Total U.S. Department of Justice			<u>241,156</u>
<b>U.S. DEPARTMENT OF TRANSPORTATION:</b>			
Passed Through Oklahoma Department of Transportation:			
State and Community Highway Safety	20.600		8,349
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601		10,321
National Highway Traffic Safety Administration (NHTSA)			
Discretionary Safety Grants	20.614		2,033
Total U.S. Department of Transportation			<u>20,703</u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY:</b>			
Passed Through Oklahoma Department of Homeland Security:			
Non-Profit Security Program	97.008		219,891
Passed Through Oklahoma Department of Emergency Management			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		58,903
Hazard Mitigation Grant	97.039		32,855
Emergency Management Performance Grants	97.042		11,460
Total U.S. Department of Homeland Security			<u>323,109</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 652,921</u>

**CANADIAN COUNTY, OKLAHOMA  
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of Canadian County, and is presented on the *cash basis of accounting*. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

**INTERNAL CONTROL AND COMPLIANCE SECTION**



# Oklahoma State Auditor & Inspector

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

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

TO THE OFFICERS OF  
CANADIAN COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Canadian County, Oklahoma, as of and for the year ended June 30, 2012, which comprises Canadian County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated March 4, 2014. Our report on the basic financial statement was adverse because the statement is not a presentation in conformity with accounting principles generally accepted in the United States of America. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County for the year ended June 30, 2012, on the basis of accounting prescribed by Oklahoma state law, described in Note 1. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in internal control described in the accompanying schedule of findings and questioned costs to be material weaknesses in internal control over financial reporting. 2012-1, 2012-2, and 2012-5.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting. 2012-7 and 2012-8.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Canadian County's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2012-8.

We noted certain matters that we reported to the management of Canadian County, which are included in Section 4 of the schedule of findings and questioned costs contained in this report.

Canadian County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Canadian County's responses and, accordingly, we express no opinion on the responses.

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



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

March 4, 2014



# 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 Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133**

TO THE OFFICERS OF  
CANADIAN COUNTY, OKLAHOMA

### Compliance

We have audited the compliance of Canadian County, Oklahoma, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on Canadian County's major federal program for the year ended June 30, 2012. Canadian County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of Canadian County's management. Our responsibility is to express an opinion on Canadian County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Canadian County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Canadian County's compliance with those requirements.

In our opinion, Canadian County, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2012.

### Internal Control Over Compliance

Management of Canadian County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Canadian County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Canadian County's internal control over compliance.

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items *2012-9, 2012-10, 2012-11, 2012-12, and 2012-13* to be material weaknesses.

Canadian County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Canadian County's responses and, accordingly, we express no opinion on the responses.

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

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

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

March 4, 2014

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

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**SECTION 1—Summary of Auditor’s Results**

Financial Statements

Type of auditor's report issued:.....Adverse as to GAAP; unqualified as to statutory presentation

Internal control over financial reporting:

- Material weakness(es) identified?..... Yes
- Significant deficiency(ies) identified? ..... Yes

Noncompliance material to financial statements noted?..... Yes

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?..... Yes
- Significant deficiency(ies) identified? ..... None reported

Type of auditor's report issued on  
compliance for major programs: ..... Unqualified

Any audit findings disclosed that are required to be reported  
in accordance with section 510(a) of Circular A-133?..... Yes

Identification of Major Programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
16.523	Juvenile Accountability Block Grants
97.008	Non-Profit Security Program

Dollar threshold used to distinguish between  
Type A and Type B programs: ..... \$300,000

Auditee qualified as low-risk auditee?..... No

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

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**SECTION 2—Findings related to the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

**Finding 2012-1 – Inadequate County-Wide Controls (Repeat Finding)**

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

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

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

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

**Management Response:**

**District 1 Commissioner:** I am in favor of following the OSAI recommendation to put into writing (in our county handbook) our procedures of identifying and addressing risks, as well as our monitoring procedures to assess the quality of our performance over time. I intend to do this first through a collaboration of officers. Once it's prepared, it will be voted on and approved through the Board of County Commissioners (BOCC) before put into written policy.

**District 2 and District 3 Commissioners:** Limiting the County's exposure to unnecessary risk is the responsibility of all elected county officers. Therefore, a meeting of the County's elected officials has been scheduled to discuss and implement a written policy related to each officer's role in identifying risk in their department. Included in this policy will be the review of personnel who are designated as requisitioning and receiving officers to ensure that segregation of duties exists within each department. Employees who are involved in the purchasing process should be required to attend training opportunities provided by the OSU County Training Program. An important part of any plan should be to consider the effectiveness of the plan from time to time. Employees can play a vital role in this process.

**County Clerk:** I will attend and participate in any meetings scheduled by the County Commissioners or other elected officials regarding risk management and monitoring procedures or quality of performance.

**County Treasurer:** At this time, the Treasurer's office has an individual Disaster Recovery Plan, updated periodically with the most recent revision being April 29, 2013.

The current County Employee Personnel Policy Handbook was revised and made effective February 1, 2013. In addition, we have an Office Policy that is supplemental to the County's Handbook that has been

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

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effective since November 2011. The policies and procedures for the varied portions of our duties are written. They are updated as State Statutes/programming/banking changes dictate.

At the time of our interview, we do not have a regularly scheduled meeting of officers, however, it was brought up recently by our County Clerk and there are plans to implement such. This would address items such as a County Disaster Recovery Plan and overall better communication between offices of County Government.

Overall, while not perfect, I believe that employees of the various offices communicate and work well together in making sure that funds are appropriated and apportioned correctly. If an error is found, we do work together to achieve the correct objective.

**County Assessor:** The Assessor's office is currently addressing control issues as they relate to our office. Specific areas include:

- Disaster Recovery – Another computer server was purchased and installed in our office to which we are currently transitioning. The existing server will be used as an off-site backup, and an additional process currently exists where the server is also backed up on a removable drive. Options for off-site cloud backup are currently being explored. Our Landmark CAMA system was recently moved to our new server and data is stored off-site on a cloud. Lastly, we have started the process of scanning certain forms to be maintained electronically in our CAMA system.
- Physical Environment – Sensitive data such as social security numbers on agricultural applications are locked in cabinets each night or scanned into our system which is password protected. We began testing our panic button and identified deficiencies we are working to correct with our commissioners. Mandatory uniforms, PPE, and training have been provided to visual inspection personnel based on their job function in the field. Handbook policies and procedures, including any questions and concerns, are reviewed during staff meetings.

**County Sheriff:** We will work with the other county offices to develop written protocols & procedures to identify and address Risks. We will also work to design written monitoring procedures to assess the quality of performance and include protocols and procedures into county-wide policy manual.

**Court Clerk:** We have had group meetings recently and have updated and modified our County Policies and Procedures Handbook. I developed a Disaster Recovery Plan for the Court Clerk's office in 2004 and will update it immediately to reflect more current information, and will update this recovery plan on a yearly basis. I believe all Canadian County Officers would welcome the recommendation of an officers' meeting every quarter to discuss items that may need to be addressed by all the officers as a whole.

**Gary E. Miller Canadian County Children's Justice Center:** We will attend monthly or quarterly meetings, as required by the Canadian County Commissioners, to address procedures regarding risk management and monitoring to assess the quality of performance to ensure that our documentation is accurate and complete.

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

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

**Finding 2012-2 – Inadequate Segregation of Duties and Internal Controls Over the Collection Process (Repeat Finding)**

**Condition:** The following weaknesses were noted regarding the collection process:

County Treasurer:

- The duties of issuing receipts, voiding receipts, accepting cash, reconciling the cash drawer and preparing the deposit were not adequately segregated within the County Treasurer's office which is the office primarily responsible for safeguarding collections.
- Additionally, it was also noted that two persons operate from the same cash drawer.
- Although the cash drawer can be locked, we observed that the key remains in the lock.
- It was also noted that voiding receipts can be performed by any cashier and there are no policies for the review and approval of voided receipts within the Treasurer's office.
- The duties of receipting, depositing, and reconciling were not adequately segregated within the official depository account.

**Cause of Condition:** Procedures have not been designed and implemented with regard to segregating the duties over all aspects of the receipting process and cash balances process due to officials being unaware of the need for such procedures.

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

**Recommendation:** OSAI recommends management be aware of these conditions and realize that a concentration of duties and responsibility in a limited number of individuals is not desired from a control point of view. The most effective procedures lie in managements overseeing of office operations and a periodic review of operations. OSAI recommends management provide segregation of duties so that one employee is unable to perform all accounting functions. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating procedures to mitigate the risks involved with a concentration of duties. Compensating procedures would include separating key processes and/or critical functions of the office, and having management review and approval of accounting functions.

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

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**Management Response:**

**County Treasurer:** The duties of the head cashier include posting all transactions (tax payments, mortgage tax, miscellaneous receipts, official depository, etc.), balancing, making deposit slips, and voiding incorrect or duplicate transactions. With the possible exception of a cash payment being made during the cashier’s lunch time where the assigned backup deputy would need to make change, there are no other deputies working the cash drawer.

To provide more internal control over receipting, we have implemented verification and recording the deposit slips as a rotation of several different deputies. Also, verification and approving of voided receipts will be performed by one of the supervisors. A reminder to remove the cash drawer key and place in a secure location when the cashier is not at the desk has been made. The feasibility of another cash drawer being added will be considered.

The long standing procedure of the flow of daily work is, and has been, for every receipt; cash register, mortgage tax, miscellaneous, and official depository report to be put into a daily packet and reconciled by a deputy (or myself) for the daily and general ledger for that date. It is then given to the County Clerk’s office where it is reconciled to their records. We were under the impression that this had been an adequate control.

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

**Finding 2012-5 – Inadequate Internal Controls and Noncompliance Over the Disbursement Process (Repeat Finding)**

**Condition:** We noted the following weaknesses regarding the disbursement process:

- Unauthorized County personnel are allowed to make purchases.
- In some instances, the same employees are authorized as both requisitioning and receiving officers.
- The duties of processing payroll are not adequately segregated. The Payroll Clerk enrolls new hires, makes payroll changes, maintains personnel files, and prepares end of month payroll reports. The Payroll Clerk is also responsible for logging on to the financial institution website and initiating the direct deposit.

However, the test of forty purchase orders reflected two instances in which receiving reports were not attached to support all cash disbursements as required by 19 O.S. § 1500-1505.

Fund	Purchase Order Number	Warrant Number	Purpose
County Highway - District 1, 2, and 3	803	65	Unemployment Tax

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Fund	Purchase Order Number	Warrant Number	Purpose
County General Fund	4263	2053	Visual Lease Service

- There was one instance noted where the purchase order was not properly encumbered.

Fund	Purchase Order Number	Warrant Number	Purpose
County General Sheriff	7541	61	Healthcare Service

**Cause of Condition:** Procedures with regard to segregating the duties over the purchasing and payroll processes have not been designed due to the officials being unaware of the necessity of such procedures.

**Effect of Condition:** These conditions resulted in noncompliance with purchasing statutes regarding receiving reports and properly encumbering funds and could result in unrecorded transactions, misstated financials reports, undetected errors, and misappropriation of funds.

**Recommendation:** OSAI recommends that only authorized personnel be able to make purchases. Additionally, OSAI recommends that the processes regarding disbursements be adequately segregated and that an individual authorized as a requisitioning officer not be authorized to be a receiving officer.

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,
- Performing the direct deposit, and
- Preparing end of month payroll reports.

Further, OSAI recommends the County officials implement procedures to ensure that purchases comply with 19 O.S. § 1500-1505.

**Management Response:**

**District 2 Commissioner:** Since compliance with 19 O.S. § 1500-1505 is expected among the departments of Canadian County, I will request all department heads review the individuals designated as requisitioning officers and receiving officers and make any changes necessary to ensure that only qualified employees are allowed to make purchases on behalf of the County. Also included in this review will be the verification that no employee has both requisitioning and receiving designation. I will also instruct the receiving agent at District 2 to attach receiving reports for all invoices processed for payment including those for professional services and utility payments. In an effort to improve performance in these areas, employees involved in the purchasing process will be required to attend training provided by the OSU County Training Program.

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**County Clerk:**

- The process of encumbering funds and printing purchase orders is handled by the Purchasing Agent. Printing warrants and reconciling the warrants at the end of the month are handled by the accounts payable department.
- The duties of processing payroll are adequately segregated between two payroll clerks. Recently the entire process of payroll was revised into two separate batches with each clerk performing the duties of one batch. The pay period, monthly and quarterly reporting processes have also been separated between the two clerks.
- The purchase order auditing process will be reviewed to ensure that all purchase orders have the proper supporting documentation.

**Gary E. Miller Canadian County Children’s Justice Center:** It has been brought to our attention that we need to attach receiving reports to all purchase orders and steps are being established to make sure that we follow all recommendations. This is true for services provided, as well as goods received.

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

**Finding 2012-7 – Inadequate Internal Controls and Noncompliance Over the Competitive Bidding Process (Repeat Finding)**

**Condition:** Internal controls have been designed but not fully implemented to ensure that items over \$10,000 were competitively bid in accordance with Title 19 O.S. §1505B. Our review of purchase orders reflected the following items were not bid:

<b>Vendor</b>	<b>Purchase Order Date</b>	<b>Purchase Order Number</b>	<b>Fund</b>	<b>Amount</b>	<b>Purpose</b>
Travis Voice and Data	6/28/11	8790	Sheriff Service Fee	\$12,985	Voice recorder system for Sheriff’s office
Watchguard Video	9/20/11	2279	General Fund	\$34,385	Dash Cameras for Sheriff Vehicles

**Cause of Condition:** Management has not designed and implemented procedures to ensure that all purchases which exceed \$10,000 are competitively bid prior to purchasing the item.

**Effect of Condition:** These conditions resulted in noncompliance with the state statute and items not being properly bid.

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**Recommendation:** OSAI recommends the County Sheriff implement procedures to ensure statutory compliance with Title 19 O.S. § 1505B, which requires that items over \$10,000 be competitively bid.

**Management Response:**

**County Sheriff:** The office will work toward taking recommended actions toward compliance with the competitive bidding process.

**Criteria:** Effective internal controls require that management properly implement procedures to ensure that purchases are in compliance with 19 O.S. § 1505B.

**Finding 2012-8 – Inadequate Internal Controls and Noncompliance Over Disbursement of County Sales Tax (Repeat Finding)**

**Condition:** Upon inquiry and observation of the record-keeping process of collecting and expending county sales tax, the following weaknesses were noted:

- The County Sales Tax was not deposited into a dedicated Sales Tax Revolving Fund nor into the County General Fund as specified by Title 68 O.S. § 1370E.
- Since the sales tax collections were commingled with other sources of revenue, we could not perform a test of expenditures.

**Cause of Condition:** Procedures with regard to sales tax collections and disbursements processes have not been designed and implemented due to the officials being unaware of the necessity of such procedures.

**Effect of Condition:** These conditions could result in unrecorded transactions, misstated financials reports, undetected errors, and misappropriation of funds.

**Recommendation:** OSAI recommends that the sales tax be apportioned to a Sales Tax Special Revenue Fund or to the General Fund. In addition, the sales tax should be expended in such a manner to provide assurance that expenditures are in accordance to the purposes specified by the ballot and outlined by Title 68 O.S. § 1370E.

**Management Response:**

**District 1 Commissioner:** I recommend immediately separating the funds collected for the purpose specified by the ballot and outlined by Title 68 O.S. 1370E. If there is any question as to the specification of the funds, the BOCC will request an Attorney General's Opinion to help clarify. The BOCC will put a plan into writing showing how those funds collected will be kept away from other sources of revenue, and only used for the purpose designated.

**District 2 Commissioner:** An operating account for the sales tax will be formed and kept separate from any contract revenue. Only expenses authorized by the ballot language that voters approved when establishing the sales tax in 1996 should be included for payment with sales tax revenue. An opinion from

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the State Attorney General's office will be requested to determine the compliance of current programs and services with the original ballot authorization.

**Gary E. Miller Canadian County Children's Justice Center:** Upon recommendation of the state auditor, we will speak to the County about establishing a Sales Tax Special Revenue Fund and all revenue from county sales tax will be placed in this cash fund separate from other revenues received by the Justice Center.

**Criteria:** Title 68 O.S. § 1370E, requires the sales tax collections 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, accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designed to check accuracy, completeness, and authorization of disbursements and/or transactions.

**SECTION 3—Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133.**

**Finding 2012-9 – Schedule of Expenditures of Federal Awards – Juvenile Accountability Block Grants**

**PASS-THROUGH GRANTOR:** Oklahoma Office of Juvenile Affairs

**FEDERAL AGENCY:** U.S. Department of Justice

**CFDA NO:** 16.523

**FEDERAL PROGRAM NAME:** Juvenile Accountability Block Grants

**FEDERAL AWARD YEAR:** FY 2012

**CONTROL CATEGORY:** Reporting

**QUESTIONED COSTS:** \$0

**Condition:** The County has not designed and implemented formal procedures for the reporting of its major federal programs required by OMB Circular A-133. When reviewing the Schedule of the Expenditures of Federal Awards (SEFA) errors were noted and an amended SEFA had to be prepared. The federal expenditures recorded on the original SEFA were \$428,595; however, the amount of federal expenditures recorded on the final SEFA was \$652,921, which was a \$224,326 increase in expenditures. The Juvenile Accountability Block Grants for Sanctions Detention was not listed on the original SEFA and accounted for \$178,726 of the federal expenditures on the final SEFA.

**Cause of Condition:** Procedures have not been designed to accurately account for the application, receipt, and expenditure of federal awards. Information regarding federal grants is not being clearly communicated between the County Commissioners, County Clerk, County Treasurer's and Children's Justice Center.

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**Effect of Condition:** These conditions resulted in difficulty in reporting the amount of expenditures in a timely and accurate manner, which could result in discontinuation of federal assistance.

**Recommendation:** OSAI recommends Canadian County establish a policy for accounting for all federal grants awarded to the County. These policies should incorporate by reference applicable federal regulations to be followed, as well as the appropriate policy for the application, receipt, and expenditure of federal funds. OSAI also recommends that amounts be reported on the Schedule of Expenditures of Federal Awards be reconciled to accounting records.

**Management Response:**

**District 1 Commissioner:** I recommend holding an officers' meeting to clarify each office's responsibility to record/document any federal monies received during each fiscal year. The County will establish a protocol, including each office maintaining records of federal monies. At the beginning of the fiscal year, the records will be compiled by the County Clerk's office into one SEFA report. This report should be double checked and verified by the Clerk's office both by the office's records submitted, as well as the financial reports. It is also recommended that any time federal funds are received, the Treasurer's office be made aware that there are federal monies being deposited.

**District 2 Commissioner:** Revised accounting practices have been implemented to separate the federal funds contained in this grant. Tracking and reporting this revenue on our SEFA will now occur.

**County Clerk:** Procedures are being developed to assist the County offices and departments with accurately accounting for the application, receipt and expenditure of federal funds. This will assist the offices in completing and reconciling the annual Schedule of Expenditures of Federal Awards.

**County Treasurer:**

- SEFA reporting has been a work in progress for us. The Treasurer's office relies on the information given to us as to the source of monies by the receiving office for the purpose of writing the miscellaneous receipts correctly and apportioning said monies to the proper fund. As so much of these funds are sent to receiving offices through third parties, we are all still finding ways to identify all federal funds.
- One of the things our office has done to help facilitate the County Clerk's ability to identify SEFA income is to rewrite our source and subsource codes for miscellaneous receipts where daily identification by the Clerk's office can be made and that SEFA monies will be identifiable on our miscellaneous reports for budget.
- All offices involved have met and are working together to devise an efficient and effective procedure.

**Gary E Miller Canadian County Children's Justice Center:** When this issue was brought to our attention, we began to research at that time, ways to separate the federal funding from the other revenue. We have already made separate line items on our financial statement to account for these federal funds. Finding the correct figures for the Schedule of Expenditures of Federal Awards should no longer be an issue.

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**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds and accurate record of federal expenditures should be maintained.

*OMB Circular A-133 Subpart C §\_\_.300* reads as follows:

Subpart C-Auditees

§\_\_.300 Auditee responsibilities

The auditee shall:

(b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

(d) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with §\_\_.310

**Finding 2012-10 – Inadequate Internal Controls Over Major Programs – Juvenile Accountability Block Grants**

**PASS-THROUGH GRANTOR:** Oklahoma Office of Juvenile Affairs

**FEDERAL AGENCY:** U.S. Department of Justice

**CFDA NO:** 16.523

**FEDERAL PROGRAM NAME:** Juvenile Accountability Block Grants

**FEDERAL AWARD YEAR:** FY 2012

**CONTROL CATEGORY:** Eligibility, Period of Availability, Reporting, Special Tests and Provisions

**QUESTIONED COSTS:** \$0

**Condition:** During the process of documenting the County's internal controls over procedures regarding federal disbursements, we noted the County has not established procedures to ensure compliance with the following compliance requirements: Eligibility, Period of Availability, Reporting, and Special Tests and Provisions.

**Cause of Condition:** Internal controls have not been designed and implemented with regard to ensuring compliance requirements of federal grants are met by the County due to management being unaware of the need for such internal controls.

**Effect of Condition:** This condition could result in noncompliance to grant requirements.

**Recommendation:** OSAI recommends Canadian County gain an understanding of requirements for these programs and implement internal controls to ensure compliance with requirements. OSAI further recommends the County utilize available resources, such as the website, [www.cfda.gov](http://www.cfda.gov), to develop controls to ensure compliance with restrictions and guidelines as set forth for the types of grants received.

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**Management Response:**

**District 1 Commissioner:** I recommend the Juvenile Center let the BOCC know, either in an officers' meeting or during a regularly scheduled Board meeting, their plan to address these issues. At that time, the BOCC can have a more clear response to this finding and make the solution a part of the County's written policy.

**Gary E. Miller Canadian County Children's Justice Center:** We have established a written policy in order to ensure that all funding received from the Juvenile Accountability Block Grants #16.523 is in compliance with *OMB Circular A-133 Subpart C §\_\_.300 (b)*. With regard to the Juvenile Accountability Block Grants, we have read program #16.523 and believe that we are in compliance with all requirements stated as to eligibility, period of availability, reporting and special provisions.

**Criteria:** *OMB Circular A-133 Subpart C §\_\_.300* reads as follows:

Subpart C-Auditees

§\_\_.300 Auditee responsibilities

The auditee shall:

(b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

Further, accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designed to monitor compliance with laws and regulations pertaining to grant contracts.

**Finding 2012-11 – Inadequate County-Wide Controls Over Major Federal Programs – Juvenile Accountability Grants**

**PASS-THROUGH GRANTOR:** Oklahoma Office of Juvenile Affairs

**FEDERAL AGENCY:** U.S. Department of Justice

**CFDA NO:** 16.523

**FEDERAL PROGRAM NAME:** Juvenile Accountability Block Grants

**FEDERAL AWARD YEAR:** FY 2012

**CONTROL CATEGORY:** Activities Allowed, Allowable Cost, Eligibility, Period of Availability, Reporting, Special Tests and Provisions

**QUESTIONED COSTS:** \$0

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

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

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

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**Recommendation:** OSAI recommends that the County design procedures to identify and address risks. OSAI also recommends that the County design monitoring procedures to assess the quality of performance over time. These procedures should be written policies and procedures and could be included in the County's policies and procedures handbook.

**Management Response:**

**District 1 Commissioner:** I recommend the Juvenile Center let the BOCC know, either in an officers' meeting or during a regularly scheduled Board meeting, their plan to address these issues. At that time, the BOCC can have a more clear response to this finding and make the solution a part of the County's written policy.

**District 2 and District 3 Commissioners:** Limiting the County's exposure to unnecessary risk is the responsibility of all elected county officers; therefore, a meeting of the County's elected officials has been scheduled to discuss and implement a written policy related to each officer's role in identifying risk in their department. Included in this policy will be the review of personnel who are designated as requisitioning and receiving officers to ensure that segregation of duties exists within each department. Employees who are involved in the purchasing process should be required to attend training opportunities provided by the OSU County Training Program. An important part of any plan should be to consider the effectiveness of the plan from time to time. Employees can play a vital role in this process.

**Gary E. Miller Canadian County Children's Justice Center:** We will attend monthly or quarterly meetings, as required by the Canadian County Commissioners, to address procedures regarding risk management and monitoring to assess the quality of performance to ensure that our documentation is accurate and complete.

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

**Finding 2012-12 – Inadequate Controls Over Major Programs – Non-Profit Security Grant Program**

**PASS-THROUGH GRANTOR:** Oklahoma Department of Homeland Security

**FEDERAL AGENCY:** U.S. Department of Homeland Security

**CFDA NO:** 97.008

**FEDERAL PROGRAM NAME:** Non-Profit Security Grant Program

**FEDERAL AWARD YEAR:** FY 2012

**CONTROL CATEGORY:** Equipment and Real Property Management

**QUESTIONED COSTS:** \$0

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**Condition:** During the process of documenting the County's internal controls over procedures regarding federal disbursements, we noted the County has not established procedures to ensure compliance with the following compliance requirement: Equipment and Real Property Management. The County received in-kind awards of software and sixty-one fixed assets through this grant. We could not locate county identification numbers on fifty-six of the fixed assets.

**Cause of Condition:** Internal controls have not been designed and implemented with regard to ensuring compliance requirements of federal grants due to management being unaware of the need for such internal controls.

**Effect of Condition:** This condition resulted in noncompliance to grant requirements. Further, when fixed assets are not properly marked with county identification numbers, opportunities for misuse or loss of equipment could occur.

**Recommendation:** OSAI recommends Canadian County gain an understanding of requirements for these programs and implement internal controls to ensure compliance with requirements. OSAI further recommends the County utilize available resources, such as the website, [www.cfda.gov](http://www.cfda.gov), to develop controls to ensure compliance with restrictions and guidelines as set forth for the types of grants received.

**Management Response:**

**District 1 Commissioner:** I recommend addressing the specific issue directly at an officers' meeting. The BOCC will stress the importance of research and an understanding of the requirements for the programs an office may apply towards. The party responsible for making the "purchase" or "selecting" the equipment/property should be responsible for obtaining a county inventory number for each item. This should be their responsibility, as there will not be receiving paperwork submitted to the Clerk's office to have a number issued. The office/party "receiving" the goods should verify that a county inventory number has been obtained and affixed to that piece of property before putting it into use.

**District 2 Commissioner:** I recommend that the officers of the county meet and draft language to include in our County's "Policy and Procedures of Grant Applications and Expenditures" that defines the responsibility of the department when applying for funds through any grant. It may be necessary to include all grant applications on the agenda of the BOCC in order to make the commissioners aware of the possibility of future funds in the County.

**County Sheriff:** The office will work toward achieving compliance through development of internal controls, and by following grant guidelines. We will complete the marking of inventory numbers on the equipment purchased through the grant.

**Criteria:** *OMB Circular A-133 Subpart C §\_\_.300* reads as follows:

Subpart C-Auditees

§\_\_.300 Auditee responsibilities

The auditee shall:

(b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the

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provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

Further, accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designed to monitor compliance with laws and regulations pertaining to grant contracts.

**Finding 2012-13 – Inadequate County-Wide Controls Over Major Federal Programs – Non -Profit Security Grant Program**

**PASS-THROUGH GRANTOR:** Oklahoma Department of Homeland Security

**FEDERAL AGENCY:** U.S. Department of Justice

**CFDA NO:** 97.008

**FEDERAL PROGRAM NAME:** Non -Profit Security Grant Program

**FEDERAL AWARD YEAR:** FY 2012

**CONTROL CATEGORY:** Activities Allowed, Allowable Cost, Cash Management, Equipment Real Property Management, Matching, Period of Availability, Procurement, Reporting, Subrecipient Monitoring, Special Tests and Provisions

**QUESTIONED COSTS:** \$0

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

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

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

**Recommendation:** OSAI recommends that the County design procedures to identify and address risks. OSAI also recommends that the County design monitoring procedures to assess the quality of performance over time. These procedures should be written policies and procedures and could be included in the County's policies and procedures handbook.

**Management Response:**

**District 1 Commissioner:** I am in favor of following the OSAI recommendation to put into writing (in our county handbook) our procedures of identifying and addressing risks, as well as our monitoring procedures to assess the quality of our performance over time. I intend to do this first through a collaboration of officers. Once it's prepared, it will be voted on and approved through the BOCC before put into written policy.

**District 2 Commissioner:** I recommend that the officers of the County meet and draft language to include in our County's "Policy and Procedures of Grant Applications and Expenditures" that defines the responsibility of the department when applying for funds through any grant. It may be necessary to

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include all grant applications on the agenda of the BOCC in order to make the commissioners aware of the possibility of future funds in the County.

**County Sheriff:** We will work with other county officers to develop written policy and procedures addressing quality of performance.

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

**SECTION 4—This section contains certain matters not required to be reported in accordance with *Government Auditing Standards*. However, we believe these matters are significant enough to bring to management's attention. We recommend that management consider these matters and take appropriate corrective action.**

**Finding 2012-14: Inadequate Internal Controls and Noncompliance Over Fixed Assets Inventory and Consumable Items Inventory (Repeat Finding)**

**Condition:** Upon inquiry of County officials and employees, and observation of records in regards to the fixed assets and consumable items inventories processes, the following was noted:

- The County Sheriff's office does not perform an annual physical inventory of fixed assets.
- The Court Clerk's office does not have documentation to substantiate the annual physical inventory of fixed assets.
- The County Treasurer, County Assessor, District 1, District 2, and District 3 physical inventories are performed by the individual responsible for maintaining the inventory records.
- A test of five fixed assets inventory items per office to items on hand reflected that the Court Clerk had one item, the County Assessor had three items, and District 3 Commissioner had three items that did not have the county identification number affixed.
- A test of ten fixed assets inventory items per district reflected that District 1 Commissioner had seven items, District 2 Commissioner had one item, and District 3 Commissioner had two items which were not properly identified as "Property of Canadian County."

The observation and test of consumable inventory items for Districts 1, 2, and 3 revealed the following:

**District 1 Commissioner:**

- The employee responsible for maintaining stock cards and transferring documents is also the individual who performs periodic physical counts of consumable inventory.

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- The physical count of inventory is not performed on a monthly basis.
- Five of the ten items selected from the consumable records could not be physically verified to the number of items on hand.

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**District 2 Commissioner:**

- Supporting documentation of a monthly physical count of consumable items inventory is not maintained.

**District 3 Commissioner:**

- The employee responsible for maintaining stock cards and transferring documents is also the individual who performs periodic physical counts of consumable inventory.
- Supporting documentation of a physical count of consumable inventory items is not maintained.
- One out of the ten items selected from the consumable records could not physically be verified to the number of items on hand.

**Cause of Condition:** Procedures have not been designed and implemented by county officers to perform and document annual fixed assets inventory counts and monthly consumable inventory items inventory counts to ensure compliance with state statutes.

**Effect of Condition:** These conditions resulted in noncompliance with state statute. When fixed assets are not monitored and equipment is not properly marked with identification numbers and “Property of Canadian County” opportunities for misuse or loss of equipment can occur. Additionally, when consumable inventory items are not adequately monitored and inadequate segregation of duties exist, the opportunity for the misappropriation and undetected errors could result.

**Recommendation:** OSAI recommends that management implement internal controls to ensure compliance with 69 O.S. § 645, 19 O.S. §1502(A)(1), and 19 O.S. § 1504A.

**Management Response:**

**District 1 Commissioner:** In response to the above mentioned finding, Canadian County District 1 has taken several measures to remedy the concerns. The employee responsible for maintaining the consumable inventory is no longer also performing the periodic physical counts. Our office has also implemented a monthly physical count of consumable inventory, as opposed to the annual count as performed in past years. Doing so will assist in maintaining accurate records of consumable inventory in stock.

These internal controls have been implemented, effective immediately, to ensure compliance with 69 O.S. § 645, 19 O.S. §1502(A)(1), and 19 O.S. § 1504A.

**District 2 Commissioner:** Canadian County District 2 Commissioner will develop the practice of the Foreman performing a visual inventory check for the consumable items in inventory records. This check will be performed monthly and any discrepancies will be corrected immediately. All vehicles will be inspected monthly to verify that are marked with “Property of Canadian County.”

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**District 3 Commissioner:**

- Physical inventories are now performed by an individual that is not responsible for maintaining the inventory records.
- The required County identification numbers have been attached to the two vehicles and the laptop. The “Property of Canadian County” decals have been attached to the two vehicles which did not previously have them.
- A new road sign system had been put in place to check out road signs to address the consumable records issues.

**County Treasurer:** The inventory has always been assigned to one deputy in the office in prior years. In 2012, as part of our cross training, we assigned a backup who will take and notate the annual inventory walk through in our office. She will also be able to make new inventory cards in the event of an extended absence of the primary deputy assigned this duty.

**County Assessor:** The last inventory audit was conducted June 30, 2013, at which time all items were reconciled with the County Clerk’s inventory listing. It was determined that the Assessor’s office inventoried some items not required by statute. Other items had been physically transferred to other departments without the appropriate transfer paperwork. Surplus inventory items were sold at public auction and broken items were evaluated and junked if they were cost-prohibitive to repair. Our inventory count was reduced from 162 items on November 6, 2009 to 102 items on June 30, 2013. At this time all fixed assets inventory items should have the county ID number affixed. Inventory audits are conducted every six months (January and July), and the audit will be conducted by someone other than the recordkeeper. A separate inventory process is being evaluated for certain desirable items less than \$500 (i.e., digital cameras, PPE, etc.).

**County Sheriff:** The office will work to develop internal controls toward compliance with the fixed assets inventory statute.

**Court Clerk:** The Court Clerk’s office immediately implemented the annual inventory audit to be performed and documented by an individual other than the inventory clerk.

**Criteria:** Internal controls over safeguarding of assets constitute a process, affected by an entity’s governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from misappropriation.

**Finding 2012-15 – Inadequate Internal Controls and Noncompliance Over the Inmate Trust Account (Repeat Finding)**

**Condition:** Upon inquiry of County Sheriff employees, and observation of the recordkeeping processes over the Inmate Trust account, the following weaknesses were noted:

- Fifteen checks totaling \$2,201.26 did not have an authorized signature.

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- Nineteen checks totaling \$2,341.03 had one signature, although the Sheriff's policy requires two signatures.
- Thirty-one checks totaling \$22,874.34 were for purposes not authorized by statute.
- All jailers can issue and void receipts upon booking-in of new inmates with little or no oversight.
- All jailers can print checks, sign checks, and void checks with little or no oversight.
- Upon review of inmate trust bank statements, it was noted that an adjustment was made on the bank account because of a check being deposited that was past its expiration date.

**Cause of Condition:** Procedures have not been designed and implemented to ensure that controls are in place with regard to Inmate Trust financial operations.

**Effect of Condition:** These conditions resulted in noncompliance with state statute and could result in the undetected errors or misappropriation of funds.

**Recommendation:** OSAI recommends the County Sheriff implement procedures to ensure controls are designed and implemented to provide assurance that all transactions are properly authorized and executed, which would include two signatures on checks and review and approval of voided items. Additionally, we recommend the County Sheriff implement procedures to ensure that checks are made payable to either the Sheriff Commissary Fund or directly to the inmate as allowed by statute.

**Management Response:**

**County Sheriff:** The Sheriff's office staff will develop internal procedures and controls designed to improve the record keeping process; and eliminate the errors as listed, and identified by bullet points.

We will implement procedures to ensure controls are designed to provide assurance that all transactions are properly authorized and executed, which would include two signatures on checks and review and approval of voided items. Also, we will implement procedures to ensure checks are made payable to either the Sheriff Commissary Fund or directly to the inmate as allowed by statute.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure proper accounting and authorization of expenditures, the Sheriff's office should enforce a policy of no less than two signatures on each check and a policy that voided items be approved by someone other than the original document preparer. Additionally, effective internal controls require that the Sheriff's Office design procedures to ensure compliance with 19 O.S. § 531A.

**Finding 2012-16 – Inadequate Internal Controls Over Court Clerk Receipts and Expenditures (Repeat Finding)**

**Condition:** Upon inquiry of the Court Clerk employees, and observation and test of records, we noted the following weaknesses with regard to internal controls related to the receipting process of the Court Clerk and the expenditure process over the Court Clerk Revolving Fund Claims and Court Fund Claims:

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Receipting Process:

- All employees operate from the same cash drawer.

Expenditure Process:

- One employee is responsible for preparing the Court Clerk Revolving Fund Claims, distributing vouchers to vendors and reconciling the Court Clerk Revolving Fund to the County Treasurer.
- One employee prepares the Court Fund claims, prints the Court Fund vouchers, takes vouchers to County Treasurer to be registered, distributes the vouchers to vendors, and reconciles the Court Fund to the County Treasurer.

**Cause of Condition:** Procedures have not been designed and implemented to adequately segregate the duties over the receipting and the expenditure processes due to the Court Clerk being unaware of the need for such procedures.

**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, undetected errors, or misappropriation of funds not being detected in a timely manner.

**Recommendation:** OSAI recommends the Court Clerk design and implement procedures to ensure a proper segregation of duties over the receipting and expenditures processes.

The following key accounting functions of the receipting process should be adequately segregated:

- Separate cash drawers should be utilized.

Further, the following accounting functions of the expenditures process should be adequately segregated:

- Preparation of claims,
- Initiation of payment,
- Printing and signing of vouchers, and
- Monthly reconciliation with the County Treasurer.

**Management Response:**

**Court Clerk:** With regard to the recommendation of using more than one cash drawer, it is the preference of the Court Clerk that all employees operate from the same cash drawer. The Court Clerk has taken the following measures to provide for additional assurance over cash transactions:

- There are cameras located throughout the Court Clerk's office. There is one camera that is dedicated to and located over the cash drawer.
- When cash is received, the cash is counted and documented in detail on the receipt. The receipt and amount collected is then verified by a second employee who initials the receipt. The same process is used when the change is returned.
- A meeting was held to communicate the process and a subsequent email was sent as a reminder.

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With regard to the expenditure process, I have two bookkeepers who will alternate these responsibilities and in the event that one deputy is gone, my Chief Deputy or I will assume the other's role to comply as follows:

- Preparation of Claims:  
Bookkeepers will alternate this duty.
- Initiation of Payment:  
The Court Clerk, District Judge and Associate District Judge are the only ones who can sign claims.
- Printing and Signing of Vouchers:  
Bookkeepers will alternate the responsibility of printing vouchers,  
The Court Clerk signs vouchers or the Chief Deputy signs when Court Clerk is not present.
- Monthly Reconciliations:  
Bookkeepers will alternate this duty.

**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.

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**Finding 2008-11 – Public Assistance Grants**

**PASS-THROUGH GRANTOR:** Oklahoma Department of Civil Emergency Management

**FEDERAL AGENCY:** United States Department of Homeland Security

**CFDA NO:** 97.036

**FEDERAL PROGRAM NAME:** Disaster Grants - Public Assistance

**FEDERAL AWARD YEAR:** 2008

**CONTROL CATEGORY:** A. Activities Allowed or Unallowed, B: Allowable Costs/Cost Principles, L: Reporting

**QUESTIONED COSTS:** \$-0-

**Finding Summary:** The County has not designed and implemented formal internal controls for the reporting and other compliance requirements of its major program Disaster Grants - Public Assistance received for the ice storm and flood disasters incurred in 2007, as required by OMB Circular A-133. In particular, the County has not designed an accounting system to accumulate and report its “in-kind” labor and equipment charges in a timely manner. Extended substantive testing of disaster related expenditures and visual verification of damage site repairs did not indicate any questioned costs. Confirmation from Oklahoma Emergency Management indicated the County deposited \$973,979.60 of FEMA grant revenue. The County was unable to determine the specific account in which \$45,106.86 was deposited.

**Status:** This finding has not been corrected; however, since two years have passed since the audit report in which the finding occurred was submitted to the Federal clearinghouse, the Federal agency or pass-through entity is not currently following up with the auditee on the audit finding, and a management decision was not issued, the audit finding is no longer valid and does not warrant further action.



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