

FINANCIAL AUDIT

CANADIAN COUNTY

For the fiscal year ended June 30, 2013



*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, 2013**

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Oklahoma State Auditor & Inspector

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

January 7, 2016

TO THE CITIZENS OF
CANADIAN COUNTY, OKLAHOMA

Transmitted herewith is the audit of Canadian County, Oklahoma for the fiscal year ended June 30, 2013. The audit was conducted in accordance with 19 O.S. § 171.

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

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

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

Sincerely,

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

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

**CANADIAN COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**CANADIAN COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

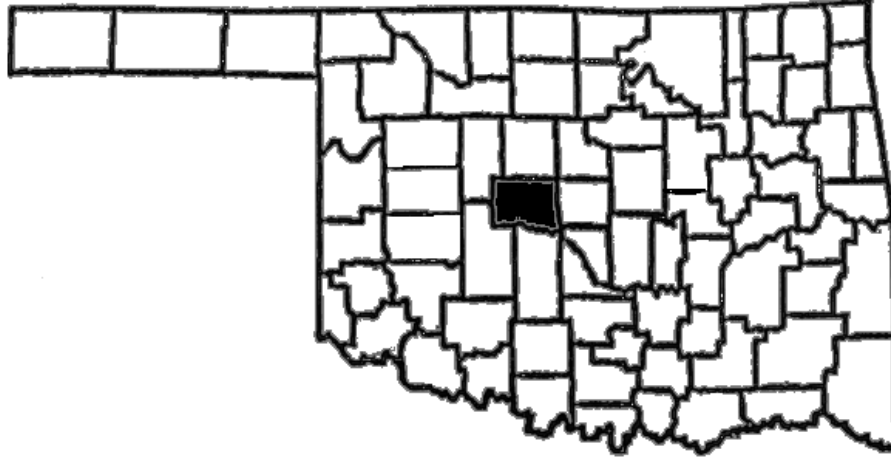
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**CANADIAN COUNTY, OKLAHOMA
STATISTICAL INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**



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 county information, call the county clerk's office at 405/262-1070, or visit www.canadiancounty.org on the web.

County Seat – El Reno

Area – 905.17 Square Miles

County Population – 122,560
(2012 est.)

Farms – 1,447

Land in Farms – 508,771 Acres

Primary Source: Oklahoma Almanac 2013-2014

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

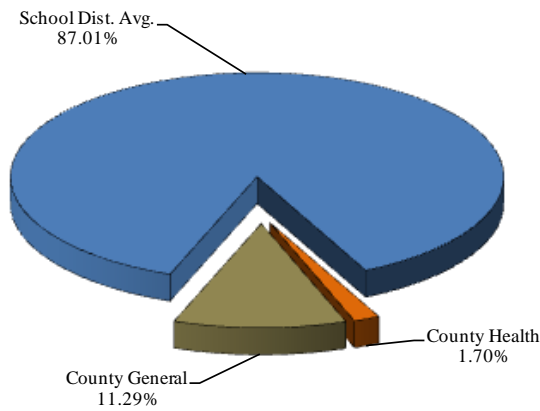
Marie Ramsey

District Attorney

Mike Fields

**CANADIAN COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

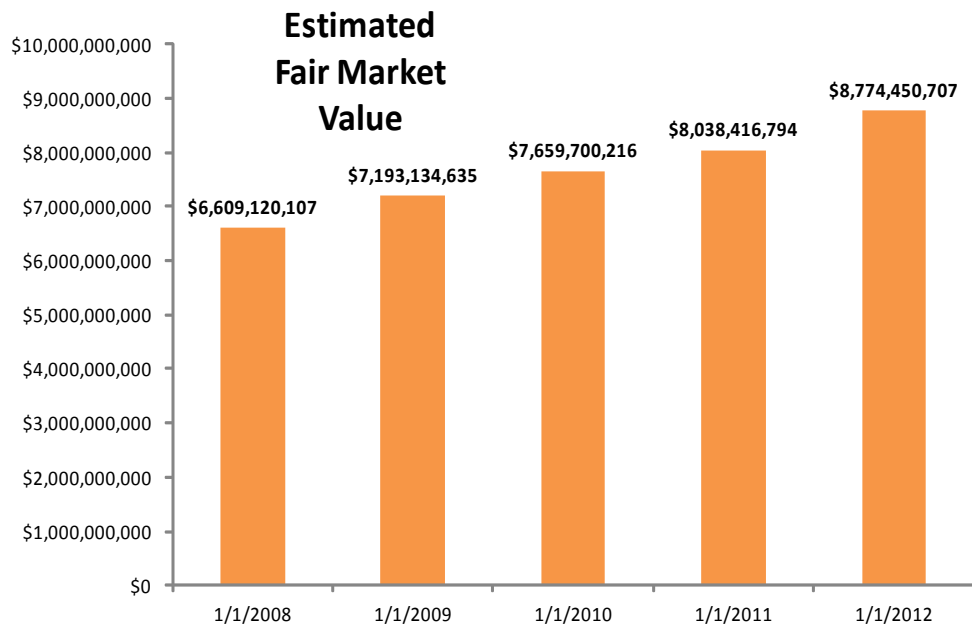
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the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



County-Wide Millages		School District Millages									
		Gen.	Bldg.	Skg.	Career Tech	Common	EMS	Rural Fire Department	City Sinking	Total	
County General	10.39										
County Health	1.56										
		Minco	38.46	5.49	7.64	15.60	4.16	-	-	71.35	
		Deer Creek	35.38	5.05	36.52	15.16	4.16	-	-	96.27	
		Lookeba-Sicikles	42.96	6.14	10.07	11.47	4.16	3.08	-	77.88	
		Piedmont	36.75	5.25	34.15	15.60	4.16	-	7.00	118.91	
		Yukon	36.53	5.22	28.41	15.60	4.16	-	7.00	103.68	
		Yukon/City	36.53	5.22	28.41	15.60	4.16	-	-	105.92	
		Riverside	36.01	5.14	-	15.60	4.16	-	7.00	74.67	
		Banner	36.12	5.16	-	15.60	4.16	-	-	67.80	
		El Reno	36.01	5.14	25.27	15.60	4.16	-	-	86.18	
		Union City	36.17	5.17	14.33	15.60	4.16	-	-	91.43	
		Mustang	36.31	5.19	23.75	15.60	4.16	-	-	87.92	
		Darlington	36.65	5.24	-	15.60	4.16	-	-	61.65	
		Calumet	36.37	5.20	11.58	15.60	4.16	-	-	72.91	
		Geary	36.24	5.18	6.06	-	4.16	3.11	-	54.75	
		Cashion	37.03	5.29	18.35	-	4.16	3.00	-	67.83	
		Okarche	36.19	5.17	20.79	-	4.16	-	-	66.31	
		Hinton	36.41	5.20	13.48	11.47	4.16	3.08	-	73.80	
		Maple	36.98	5.28	-	15.60	4.16	-	-	62.02	

**CANADIAN COUNTY, OKLAHOMA
 ASSESSED VALUE OF PROPERTY
 TREND ANALYSIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

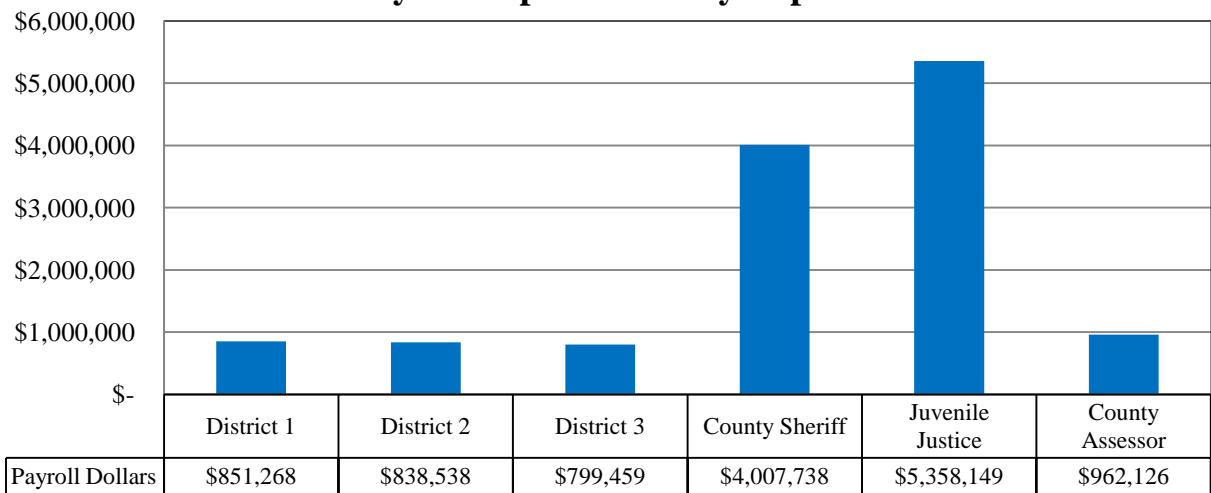
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2012	\$194,816,780	\$57,160,660	\$742,855,631	\$33,066,441	\$961,766,630	\$8,774,450,707
1/1/2011	\$148,872,540	\$55,561,049	\$708,606,194	\$32,149,135	\$880,890,648	\$8,038,416,794
1/1/2010	\$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



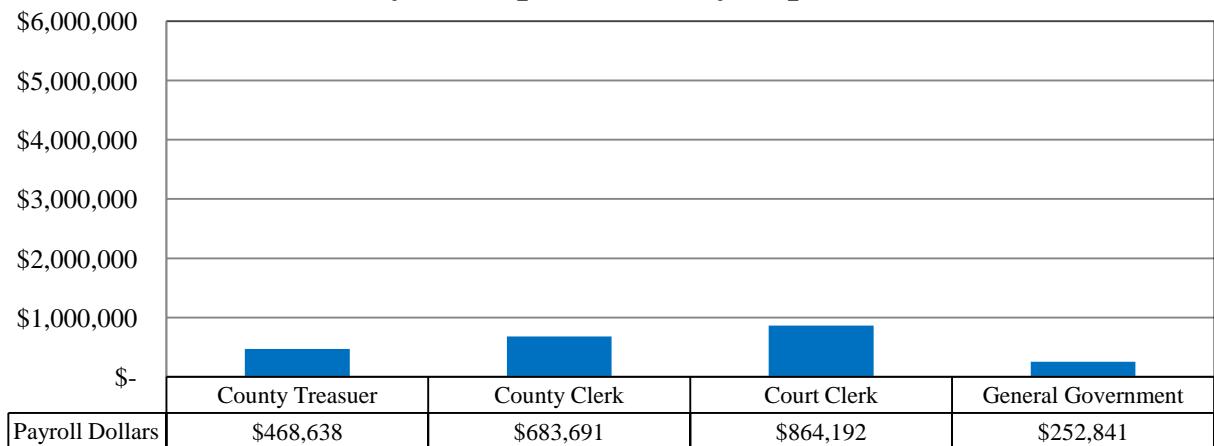
**CANADIAN COUNTY, OKLAHOMA
COUNTY PAYROLL EXPENDITURES ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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, 2013.

Payroll Expenditures by Department



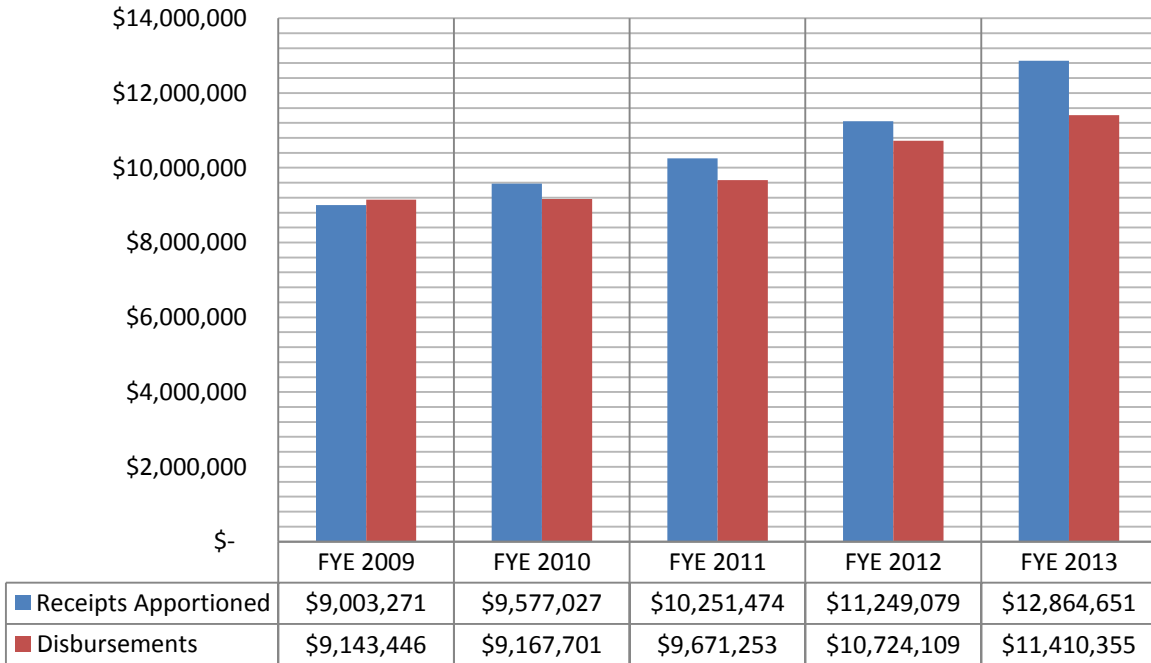
Payroll Expenditures by Department



**CANADIAN COUNTY, OKLAHOMA
COUNTY GENERAL FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

County General Fund

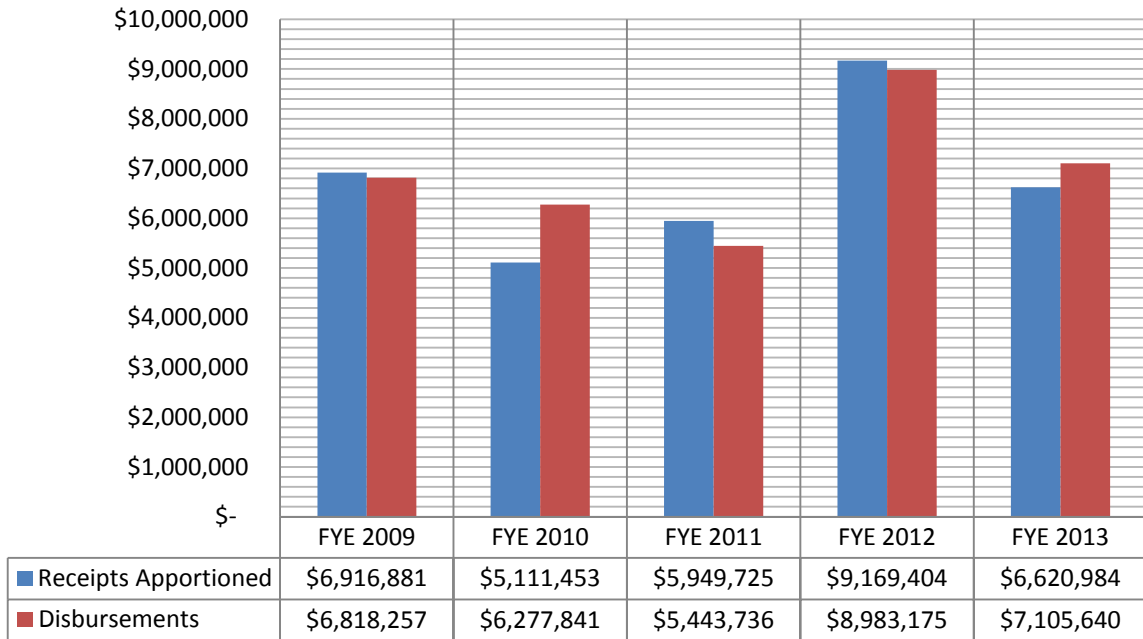
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also 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, 2013**

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

Report on the Financial Statement

We have audited the combined total—all county funds on the accompanying regulatory basis Statement of Receipts, Disbursements, and Changes in Cash Balances of Canadian County, Oklahoma, as of and for the year ended June 30, 2013, listed in the table of contents as the financial statement.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Canadian County as of June 30, 2013, or changes in its financial position for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash balances for all county funds of Canadian County, for the year ended June 30, 2013, on the basis of accounting described in Note 1.

Other Matters

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 2016, 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 in considering Canadian County's internal control over financial reporting and compliance.

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

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

January 7, 2016

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, 2013**

	Beginning Cash Balances July 1, 2012	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2013
Combining Information:						
Major Funds:						
County General Fund	\$ 4,348,780	\$ 12,864,651	\$ 773,151	\$ 650,000	\$ 11,410,355	\$ 5,926,227
County Highway Cash	3,726,308	6,620,984	168,450	-	7,105,640	3,410,102
Juvenile Justice Detention Facility	2,487,224	2,256,727	4,814,044	-	7,379,577	2,178,418
County Sales Tax		7,042,338	-	4,814,044	2,200,070	28,224
County Health Department	1,703,474	1,736,458	-	-	1,285,191	2,154,741
Sheriff Service Fee	583,504	1,270,316	-	-	1,110,843	742,977
Resale Property	771,665	637,031	730,707	1,019,452	260,747	859,204
CBRI 105	1,301,893	364,145	-	168,450	688,700	808,888
Remaining Aggregate Funds	1,011,043	754,794	-	-	945,019	820,818
Combined Total - All County Funds	<u>\$ 15,933,891</u>	<u>\$ 33,547,444</u>	<u>\$ 6,486,352</u>	<u>\$ 6,651,946</u>	<u>\$ 32,386,142</u>	<u>\$ 16,929,599</u>

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, 2013**

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 emergency medical districts, school districts, and cities and towns. The cash receipts and disbursements attributable to those other entities do not appear in funds on the County's financial statement; those funds play no part in the County's operations. Any trust or agency funds maintained by the County are not included in this presentation.

B. Fund Accounting

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

Following are descriptions of 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 are 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, 2013**

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

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

CBRI 105 – The County Bridge and Road Improvement (CBRI) 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 in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) or on a regulatory basis. The County has elected to present their financial statement on a regulatory basis in conformity with Title 19 O.S. § 171. County governments (primary only) are required to present their financial statements on a fund basis format with, at a minimum, the general fund and all other county funds, which represent ten percent or greater of total county revenue. All other funds included in the audit shall be presented in the aggregate in a combining statement.

D. Budget

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

E. Cash and Investments

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

**CANADIAN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

State statutes require financial institutions with which the County maintains funds to deposit collateral securities to secure the County's deposits. The amount of collateral securities to be pledged is established by the County Treasurer; this amount must be at least the amount of the deposit to be secured, less the amount insured (by, for example, the FDIC).

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

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

2. Ad Valorem Tax

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

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

3. Other Information

A. Pension Plan

Plan Description. The County contributes to the Oklahoma Public Employees Retirement Plan (the Plan), a cost-sharing, multiple-employer defined benefit pension plan administered by the Oklahoma Public Employees Retirement System (OPERS). Benefit provisions are established and amended by the Oklahoma Legislature. The Plan provides retirement, disability, and death benefits to Plan members and beneficiaries. Title 74, Sections 901 through 943, as amended, establishes the provisions of the Plan. OPERS issues a publicly available financial report that includes financial statements and supplementary information. That report may be obtained by 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, 2013**

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 the voters of Canadian County to extend the sales tax 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, 2013, the County apportioned \$7,042,338 to the County Sales Tax fund.

E. Operating Transfers

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

- \$650,000 was transferred to the County General Fund from the Resale Property fund to cover non-payable warrants issued from the County General Fund.
- \$650,000 was transferred from the County General Fund to reimburse the Resale Property fund after adequate ad valorem collections were apportioned to the County General Fund.

**CANADIAN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

- \$369,452 was transferred from the Resale Property fund to distribute surplus funds to the County General Fund \$123,151, Schools \$123,151, and Cities and Towns \$123,150 per Title 68 O.S. § 3137. Schools and Cities and Towns are trust and agency funds; therefore, they are not accounted for on the County's financial statement.
- \$168,450 was transferred to the County Highway Cash fund from the CBRI 105 for projects completed.
- \$4,814,044 was transferred to the Juvenile Justice Detention Facility fund from the County Sales Tax fund for expenses of the Gary E. Miller Children's Justice Center.
- \$80,707 was transferred to the Resale Property fund from the Excess Resale per Title 68 O.S. § 3131. Excess Resale is a trust and agency fund; therefore, it is not accounted for on the County's financial statement.

OTHER SUPPLEMENTARY INFORMATION

CANADIAN COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 4,348,780	\$ 4,348,780	\$ -
Less: Prior Year Outstanding Warrants	(399,927)	(399,927)	-
Less: Prior Year Encumbrances	(337,045)	(295,134)	41,911
Beginning Cash Balances, Budgetary Basis	<u>3,611,808</u>	<u>3,653,719</u>	<u>41,911</u>
Receipts:			
Ad Valorem Taxes	9,084,323	9,806,764	722,441
Charges for Services	842,270	1,138,151	295,881
Intergovernmental Revenues	678,767	1,733,814	1,055,047
Miscellaneous Revenues	10,659	185,922	175,263
Total Receipts, Budgetary Basis	<u>10,616,019</u>	<u>12,864,651</u>	<u>2,248,632</u>
Expenditures:			
District Attorney - State	22,350	15,865	6,485
District Attorney - County	3,600	2,634	966
County Sheriff	4,707,030	4,695,630	11,400
County Treasurer	459,013	444,846	14,167
County Commissioners	446,674	427,942	18,732
OSU Extension	295,672	244,151	51,521
County Clerk	867,614	842,834	24,780
Court Clerk	957,636	955,112	2,524
County Assessor	819,050	717,472	101,578
Revaluation of Real Property	623,280	596,858	26,422
General Government	3,375,158	1,279,976	2,095,182
Excise-Equalization Board	11,000	10,162	838
County Election Board	367,092	291,551	75,541
Insurance - Benefits	318,310	313,236	5,074
Charity	2,000	200	1,800
Solid Waste	66,573	64,454	2,119
Highway Budget Account	355,917	355,727	190
County Audit Budget Account	277,496	33,566	243,930
Free Fair Budget Account	177,749	169,721	8,028
Library Budget Account	74,613	74,355	258
Total Expenditures, Budgetary Basis	<u>14,227,827</u>	<u>11,536,292</u>	<u>2,691,535</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, 2013**

	General Fund		
	Budget	Actual	Variance
continued from previous page			
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	4,982,078	\$ 4,982,078
Operating Transfers:			
Transfers In		773,151	
Transfers Out		(650,000)	
Net Operating Transfers		123,151	
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		600	
Add: Current Year Outstanding Warrants		36,169	
Add: Current Year Encumbrances		784,229	
Ending Cash Balance		\$ 5,926,227	

**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, 2013**

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 1,703,474	\$ 1,703,474	\$ -
Less: Prior Year Outstanding Warrants	(157,913)	(157,913)	-
Less: Prior Year Encumbrances	(15,138)	(11,779)	3,359
Beginning Cash Balances, Budgetary Basis	1,530,423	1,533,782	3,359
Receipts:			
Ad Valorem Taxes	1,363,960	1,490,921	126,961
Charges of Services	-	214,036	214,036
Intergovernmental Revenues	-	24,803	24,803
Miscellaneous Revenues	36,557	6,698	(29,859)
Total Receipts, Budgetary Basis	1,400,517	1,736,458	335,941
Expenditures:			
Health and Welfare	2,930,940	1,891,287	1,039,653
Total Expenditures, Budgetary Basis	2,930,940	1,891,287	1,039,653
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	1,378,953	\$ 1,378,953
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		760,838	
Add: Current Year Outstanding Warrants		14,950	
Ending Cash Balance		\$ 2,154,741	

**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, 2013**

	Beginning Cash Balances July 1, 2012	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2013
Remaining Aggregate Funds:				
Assessor Visual Inspection Investment	\$ 83,257	\$ 579	\$ -	\$ 83,836
Assessor Revolving	62,113	5,860	-	67,973
Sheriff Commissary	83,054	14,383	71,320	26,117
Sheriff Prisoner Care	127,012	228,429	202,125	153,316
Sheriff Benefit	6,063	12,650	-	18,713
Sheriff Training	5,959	-	2,560	3,399
Sheriff Federal Equitable	25,995	123,917	116,635	33,277
Sheriff Reward Fund/Trash Cop	601	350	-	951
Grant Cash Voucher Fund	31,652	23,780	44,733	10,699
Treasurer Mortgage Tax Certification Fee	82,111	40,746	32,560	90,297
County Clerk Lien Fee	82,724	99,263	108,354	73,633
County Clerk Records Preservation Fee	99,776	166,995	161,731	105,040
Emergency Management	20,748	17,712	9,966	28,494
Flood Plain	49,932	10,650	19,589	40,993
County Bridge Improvement	250,046	-	165,966	84,080
Youth and Family Services	-	9,480	9,480	-
Combined Total - Remaining Aggregate Funds	<u>\$ 1,011,043</u>	<u>\$ 754,794</u>	<u>\$ 945,019</u>	<u>\$ 820,818</u>

**CANADIAN COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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 as 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 reimbursements and disbursements are for the purpose of housing and feeding Department of Correction inmates.

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

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

Sheriff Federal Equitable – 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, 2013**

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 state statute.

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

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

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

Flood Plain – accounts for the collection of monies from flood plain permits. Disbursements are for computer software in relation to flood mapping.

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

Youth and Family Services – accounts for pass-through funds for grant monies from the Department of Commerce for Youth and Family Services.

INTERNAL CONTROL AND COMPLIANCE SECTION



Oklahoma State Auditor & Inspector

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

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

TO THE OFFICERS OF
CANADIAN COUNTY, OKLAHOMA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined total—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Canadian County, Oklahoma, as of and for the year ended June 30, 2013, which comprises Canadian County's financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated January 7, 2016.

Our report included an adverse opinion on the financial statement because the statement is prepared using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County for the year ended June 30, 2013, on the basis of accounting prescribed by Oklahoma state law, described in Note 1.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and 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 described in the accompanying schedule of findings and responses to be material weaknesses: 2013-1 and 2013-5.

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 described in the accompanying schedule of findings and responses to be significant deficiencies: 2013-2 and 2013-6.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Canadian County's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 responses as item 2013-6.

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

Canadian County's Responses to Findings

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

Purpose of this Report

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

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



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

January 7, 2016

**CANADIAN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

SECTION 1—Findings related to the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Finding 2013-1 – Inadequate County-Wide Internal Controls (Repeat Finding)

Condition: The County has not addressed all of the components of an Internal Control Framework which consists of the control environment, risk assessment, control activities, information and communication, and monitoring.

Cause of Condition: This condition is a result of the County not being aware of how the process of identifying risk, implementing control activities, communicating pertinent information and monitoring could positively impact the operations and reporting of the County.

Effect of Condition: This condition does not allow the County to function in the most effective manner possible.

Recommendation: The Oklahoma State Auditor & Inspector's Office (OSAI) recommends that the County design procedures to document their Internal Control Framework. This documentation should outline the importance of internal controls, the risk that the County has identified, the control activities established to address the risk, the steps to take to properly communicate pertinent information in a timely manner, and the methodology to monitor the quality of performance over time.

Management Response:

District 1 Commissioner: I recommend, upon reviewing the Standards for Internal Control, to put into writing all or parts of the document to clarify our procedures of identifying and addressing risks. This will also be a tool to state how we as a county, will monitor procedures to assess the quality of our performance over time. Upon reviewing the above mentioned resource, I recommend seeking a collaboration of our officers to prepare and define our internal controls. Once it's prepared, it will be voted on and approved through the BOCC before put into written policy.

District 2 Commissioner: As a result of the fiscal year 2011 and fiscal year 2012 audit, the officers of Canadian County began to develop their independent Disaster Recovery Plans. This was the first step toward compliance with our responsibility related to the internal control weakness of our offices. Further steps including a written policy of policies and procedures identifying how each officer will address the areas of internal control are being implemented. This written policy will be a guide to facilitate a smooth transition when new officers are elected. Many of the safeguards that will be contained in this policy are currently being conducted but are not documented; therefore, documentation will be a part of our county policy.

District 3 Commissioner: I will become familiar with the GAO's Standards for Internal Control in the Federal Government (The Green Book) and I will also recommend our Chief of Staff take the lead in seeing that it is implemented and communicated to others.

**CANADIAN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

County Clerk: The County Clerk must defer to the Board of County Commissioners the responsibility for assessing, designing and documenting a county-wide internal control system. However, the County Clerk will conduct an assessment of the functions and operations of the County Clerk's office to design internal controls and procedures. The internal controls and procedures will be documented in a written internal controls manual. The assessment, design and documentation of an internal control framework for the County Clerk's office will be completed by June 30, 2016.

County Treasurer: I am willing to participate in any meetings the Commissioners call concerning this issue.

County Assessor: Canadian County Assessor's Office continues to address control issues as they relate to our office by becoming familiar with GAO standards. At this time, the specific areas of disaster recovery and physical environment safeguards have been addressed.

Lastly, the Assessor's office looks forward to participating in any meetings regarding this matter scheduled by County Commissioners to address these findings.

County Sheriff: We will work with other County Officers to develop County-Wide Controls.

Court Clerk: I currently have a Disaster Recovery Plan in place and we can and will expand on it to include other risks. I have manuals in place throughout the office for any person that needs to step into a position and complete the task at hand. If the commissioners will proceed to have meetings, I will continue to participate in meetings with the other officers of the County regarding County-Wide Controls.

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

Finding 2013-2 – Inadequate Internal Controls Over the Collection Process (Repeat Finding)

Condition: The following weaknesses were noted regarding the collection process in the County Treasurer's office:

- 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.
- Voiding receipts can be performed by any cashier and there are no policies for the review and approval of voided receipts within the County Treasurer's office.

**CANADIAN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

- There was no documentation of the review of the certified mill levies per school district entered into the County Treasurer's system.

Cause of Condition: Policies and procedures have not been designed and implemented with regard to adequate internal controls over all aspects of the collection process.

Effect of Condition: A single person having responsibility for more than one area of recording, authorization, custody of assets, and execution of transactions could result in unrecorded transactions, misstated financial reports, clerical errors, or 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 management's oversight 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. Additionally, independent reviews of the voided receipts and certified mill levies should be performed.

Management Response:

County Treasurer: Procedures have been implemented to mitigate the risk associated with the lack of segregation of duties. Voiding receipts now requires approval of a supervisor through the software. I will make sure to maintain documentation of the review of the certified mill levies entered into the County Treasurer's system.

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 2013-5 – Inadequate Internal Controls Over the Disbursement Process

Condition: We noted the following weakness regarding the disbursement process:

- Unauthorized County personnel are allowed to make purchases.
- The duties of processing payroll are not adequately segregated. There were two (2) employees performing the duties of the Payroll Clerk. The Payroll Clerks enroll new hires, make payroll changes, maintain personnel files, and prepare end of month payroll reports. The payroll process is divided into two batches. One batch is for the Unrestricted Highway and Canadian County Children's Justice Center payrolls. The second batch is for all County General Fund and other Cash Fund payrolls. Each payroll clerk is responsible for one batch. The batches are rotated each

**CANADIAN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

year between the two clerks. The Payroll Clerks are also responsible for logging onto the financial institution website and initiating the direct deposits.

Cause of Condition: Policies and procedures with regard to segregation of duties over the purchasing and payroll processes have not been designed and implemented that allows the county to operate in an effective and efficient manner.

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

Recommendation: OSAI recommends that only authorized personnel be able to make purchases. 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 direct deposits, and
- Preparing end of month payroll reports.

Management Response:

County Clerk: The County Clerk was informed by the State Auditor's office that some receiving agents were ordering goods and services and then documenting the receipt of those goods and services. It is understood by the County Clerk that if the County Purchasing Agent does not directly order the goods and services for any office or department, then the requisitioning officer should order the goods and services. The County Clerk has sent a memo to the offices and departments (Memo 15-02) to advise them of the proper procedure for ordering goods and services. Also, the County Clerk and County Purchasing Agent will continue to review the current ordering process and make changes as needed to comply with the purchasing laws.

The payroll process will be reviewed to ensure a proper segregation of duties. The payroll software provider will be requested to create a report that will show all payroll changes that have occurred in the payroll system (i.e., salaries and deductions). The payroll clerks will be required to verify any payroll changes made by the other clerk. The County Clerk will review the payroll records of the payroll clerks.

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.

**CANADIAN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Finding 2013-6 – Inadequate Internal Controls and Noncompliance Over Discrete Presentation of Sales Tax Activity (Repeat Finding)

Condition: Upon inquiry and observation of the recordkeeping process of collecting and expending sales tax, the following was noted:

- The County sales tax was not deposited into dedicated Sales Tax Revolving Fund or into the County General Fund.
- We were unable to determine if the sales tax money was expended for the purposes specified by the ballot because the sales tax collections were co-mingled with other sources of revenue.

Cause of Condition: Policies and procedures with regard to accounting for sales tax collections and disbursements have not been designed and implemented.

Effect of Condition: These conditions resulted in noncompliance with state statute.

Recommendation: OSAI recommends the County establish procedures that would allow for the sales tax balances and activity to be distinguished from other revenue sources activity within the County General Fund or account for sales tax activity in a Sales Tax Revolving Fund.

Management Response:

District 1: This finding has been corrected. Canadian County is now in compliance by clearly distinguishing the sales tax balances and activity from other revenue sources.

District 2: The practice of depositing the County sales tax in the Public Facilities Authority bank account began when the sales tax was authorized in 1997. As a result of the Oklahoma State Auditor and Inspectors audit for fiscal years 2011 and 2012, this discrepancy was detected and corrected in the fall of 2014. Since then, all sales tax revenue has been deposited in a revolving cash fund with the Treasurer of the County.

District 3: This condition has been corrected as per policy established September 8, 2014.

County Clerk: On September 8, 2014 the Gary E. Miller Children’s Justice Center and the Board of County Commissioners approved a policy to establish separate Sales Tax and Contract Revenue cash funds. (CMF 14-479). This policy also provided for a transfer of balances to the new cash funds and a procedure for the receipt, disbursement, and reimbursement of the sales tax funds.

County Treasurer: This issue has been resolved as outlined in the policy established September 8, 2014.

Gary E. Miller Children’s Justice Center: Since the previous audit of our sales tax activity, we have established a dedicated Sales Tax Revolving Fund. All funds from county sales tax are deposited into this account. All other funding is deposited in contract accounts.

**CANADIAN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

This was completed with the help of the State Auditor's office and in cooperation with the County Clerk and District 2 Commissioner. This took an extended period of time. We finally had to get permission from the State Auditor to estimate the percentages of sales tax and contract labor due to the many variables in the division of labor. We appreciate the help of the State Auditor in this process.

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, AG opinion 2005 OK AG 23 dated 07/13/2005 states:

3. Proceeds of a county sales tax voted for a specific purpose but placed in the county's general fund must be accounted for as a discrete fund, and any surplus not needed for the stated purpose during one fiscal year must be transferred to the county budget for the next fiscal year, for the same specified purpose."

AG opinion 2014 OK AG 15 dated 10/31/2014 states:

4. C. As the fiscal agent responsible for superintending the funds of Canadian County, the board of county commissioners is responsible to ensure that the sales tax proceeds are not intermingled and are used exclusively for the purpose expressed in the ballot measure and resolution. The board can direct that the funds be deposited in a dedicated revolving fund and not intermingled with other revenues. Okla. Const. art. X, § 19; 68 O.S. 2011, § 1370; 19 O.S. Supp. 2013, § 339; 19 O.S. 2011, § 345; *Cavin v. Bd. of County Comm'rs*, 1934 OK 245 ¶ 11, 33 P.2d 477, 479.

SECTION 2—This section contains certain matters not required to be reported in accordance with *Government Auditing Standards*. However, we believe these matters are significant enough to bring to management's attention. We recommend that management consider these matters and take appropriate corrective action.

Finding 2013-7 – Inadequate Segregation of Duties and Noncompliance 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:

Receipting Process:

- All employees operate from the same cash drawer.
- One voided receipt could not be located.

**CANADIAN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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: Policies and procedures have not been designed and implemented to adequately segregate the duties over the receipting and the expenditure processes and to ensure adequate internal controls over receipting and expenditures processes have been implemented.

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

Recommendation: OSAI recommends that the Court Clerk design and implement procedures to ensure a proper segregation of duties over the receipting and expenditures processes and establish a system of controls to adequately protect the collections of the Court Clerk's office.

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 expenditure 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: We believe that we have mitigating controls over the one cash drawer that allow us to pinpoint any errors that may occur, as to who made the error, and when it occurred.

Control activities over the voiding process have been strengthened since this audit period by limiting the number of employees who have permission to void receipts. Also, each void requires a form to be completed by the person needing it voided and then signed off on by two supervisors to complete the void. This form is then handed to another person to perform the void.

Since this audit period, I have increased the segregation of duties in the Court Fund and Court Clerk Revolving Fund processes.

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

**CANADIAN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

different individuals to reduce the risk of error or fraud. No one individual should have the ability to authorize transactions, have physical custody of assets, and record transactions.

Finding 2013-8 – Inadequate Internal Controls and Noncompliance Over Inmate Trust Fund Checking Account (Repeat Finding)

Condition: Upon inquiry of County officials and employees in the County Sheriff's office, and observation of records in regard to the Inmate Trust Fund Checking Account the following weaknesses were noted:

- Subsequent to the end of the fiscal year, the County Sheriff elected to make a change to a different Commissary vendor. When this change was made, the County Sheriff lost the ability to access the software of the former vendor. The County Sheriff's office did not print the monthly account balances. Therefore, we were unable to reconcile inmate account balances to the Inmate Trust Fund Checking Account bank balance.
- 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.

The test of 150 Inmate Trust Fund Checking Account disbursements reflected the following weaknesses:

- One (1) check totaling \$9.21 had one signature, although the Sheriff's policy requires two signatures.
- One (1) check totaling \$50.00 was for a purpose not authorized by state statute.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure that controls are in place with regards to Inmate Trust Fund Checking Account financial operations. The County Sheriff's office changed commissary providers and does not have access to the software for the previous provider.

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

Recommendation: OSAI recommends the inmates' trust fund balances be reconciled to the bank statements each month, segregation of duties with regard to inmates' trust funds be addressed, and no operating expenditures should be made from this fund.

Management Response:

County Sheriff: We will require two signatures for voided receipts and voided checks. We will reinforce the policies of two signatures on checks. We will also discuss with the District Attorney what we need to do about the Inmate Trust Fund Checking Account bank balance.

**CANADIAN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Criteria: Title 19 O.S. § 180.43 provides guidance in accounting for inmate trust monies deposited and expended from the Inmate Trust Fund Checking Account.



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