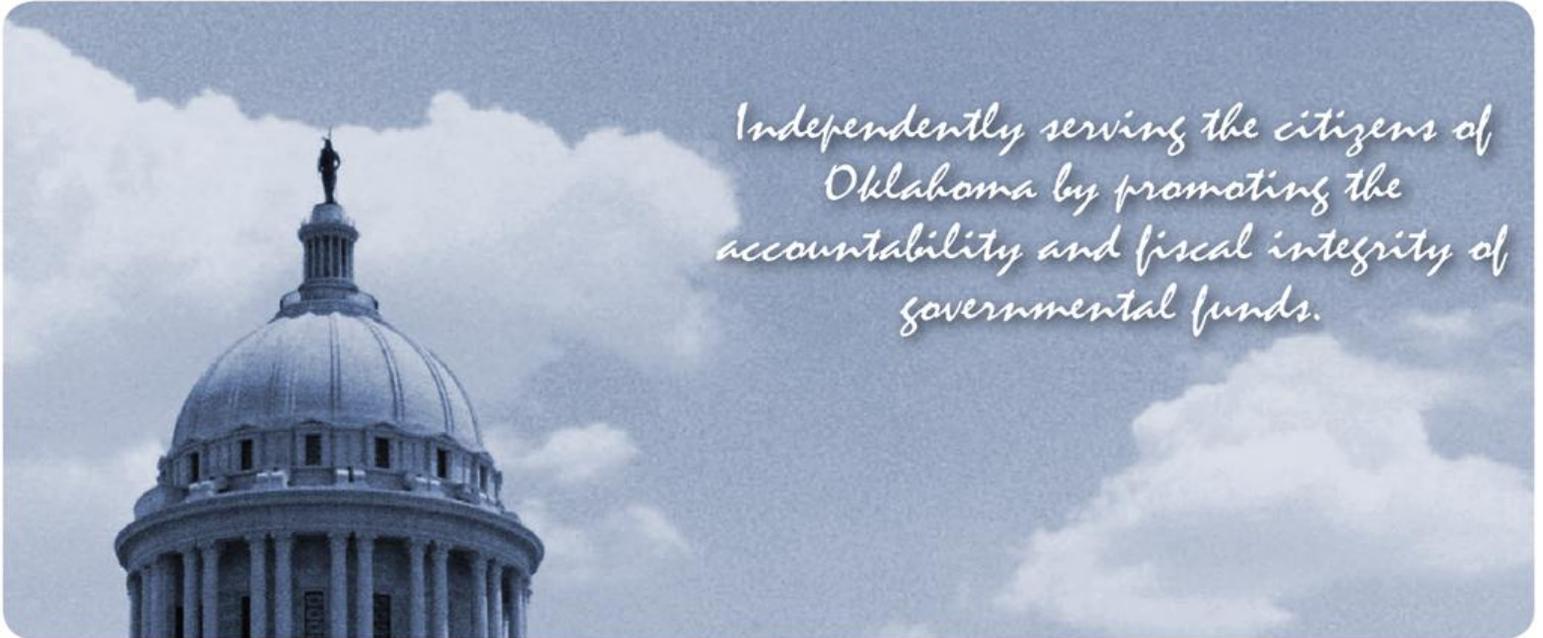


COUNTY AUDIT

WAGONER 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

**WAGONER COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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) and in the Oklahoma Department of Libraries Publications Clearinghouse Digital Collection, pursuant to 74 O.S. § 3105.B.



Oklahoma State Auditor & Inspector

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

August 13, 2015

TO THE CITIZENS OF
WAGONER COUNTY, OKLAHOMA

Transmitted herewith is the audit of Wagoner County, Oklahoma for the fiscal year ended June 30, 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 that reads "Gary A. Jones".

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

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

TABLE OF CONTENTS

INTRODUCTORY SECTION (Unaudited)

Statistical Information.....	iii
County Officials.....	iv
Ad Valorem Tax Distribution	v
Assessed Value of Property Trend Analysis.....	vi
County Payroll Expenditures Analysis	vii
County General Fund Analysis	viii
County Highway Fund Analysis	ix

FINANCIAL SECTION

Report of State Auditor and Inspector	1
Financial Statement:	
Statement of Receipts, Disbursements, and Changes in Cash Balances—Regulatory Basis (with Combining Information)—Major Funds.....	4
Notes to the Financial Statement.....	5

OTHER SUPPLEMENTARY INFORMATION

Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—General Fund.....	11
Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—County Health Department Fund	12
Combining Statement of Receipts, Disbursements, and Changes in Cash Balances—Regulatory Basis—Remaining Aggregate Funds	13
Notes to Other Supplementary Information	14

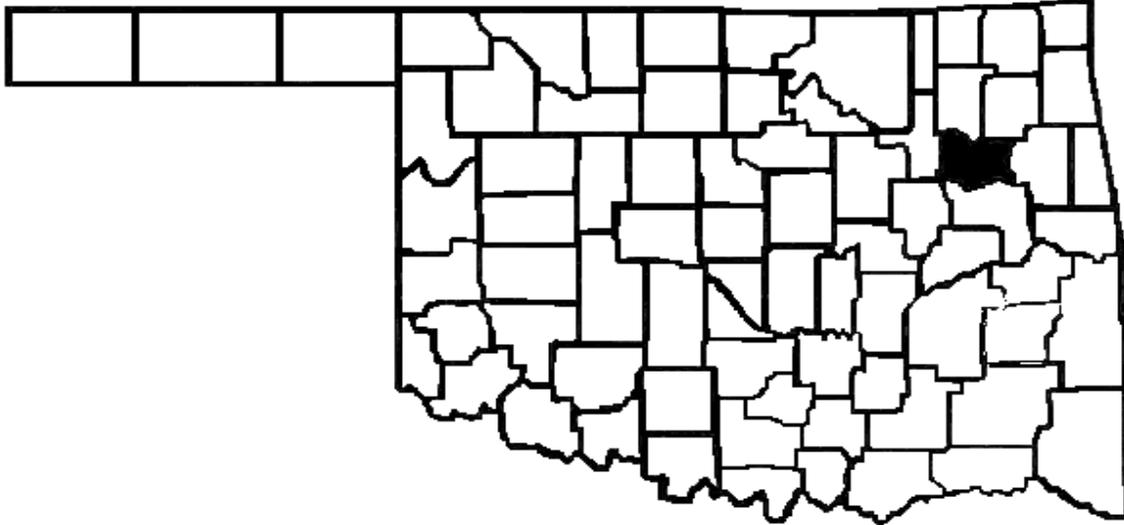
**WAGONER COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

INTERNAL CONTROL AND COMPLIANCE SECTION

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	18
Schedule of Findings and Responses.....	20

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

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



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

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

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

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

County Seat – Wagoner

Area – 590.99 Square Miles

County Population –75,030
(2012 est.)

Farms – 1,138

Land in Farms – 262,702 Acres

Primary Source: Oklahoma Almanac 2013-2014

**WAGONER COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Board of County Commissioners

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

County Assessor

Sandy Hodges

County Clerk

Lori Hendricks

County Sheriff

Bob Colbert

County Treasurer

Dana Patten

Court Clerk

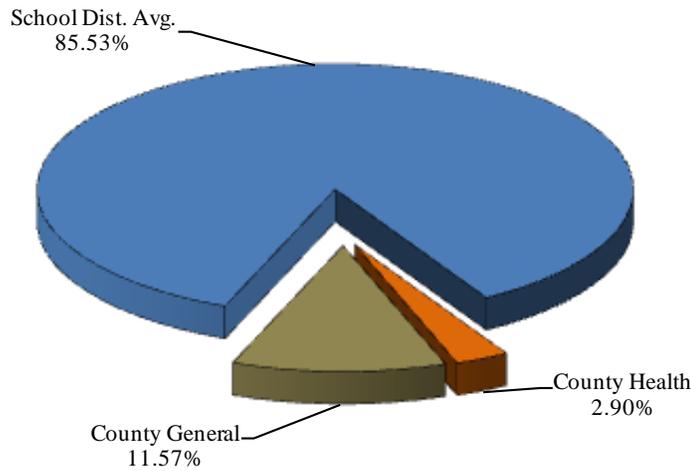
James Hight

District Attorney

Brian Kuester

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

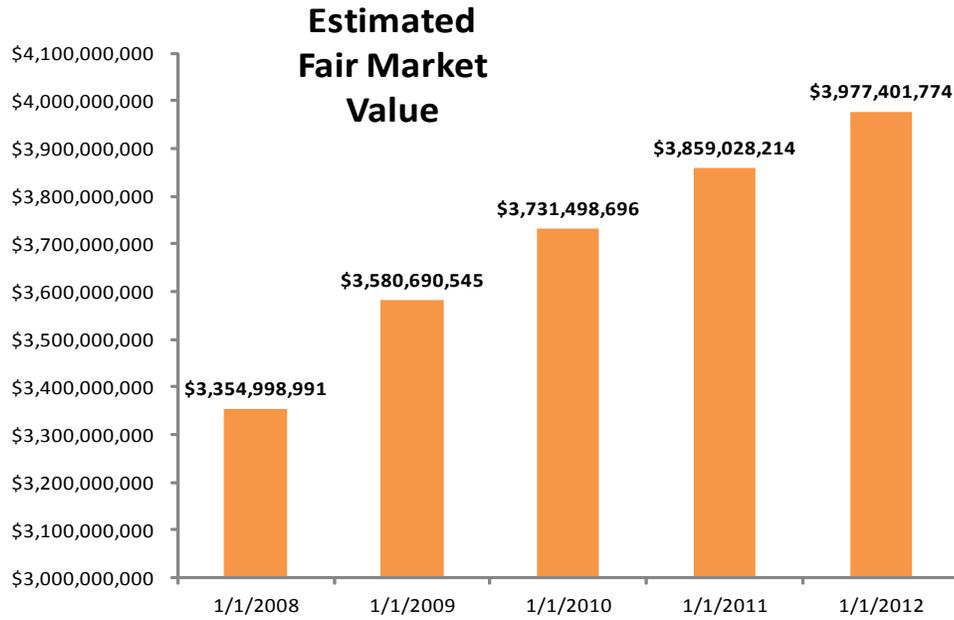
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the 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	Total
County General	10.31								
County Health	2.58	Coweta	I-17	36.19	5.17	29.10	10.14	4.13	84.73
		Okay	I-1	36.17	5.17	6.70	10.14	4.13	62.31
		Wagoner	I-19	35.79	5.11	13.95	10.14	4.13	69.12
		Porter	I-365	36.77	5.25	21.58	10.14	4.13	77.87
<u>City Millages</u>		Haskell	Musk 2	36.31	5.19	20.24	10.14	4.13	76.01
Bixby	13.50	Ft. Gibson	Musk 3	35.51	5.07	12.49	10.14	4.13	67.34
Broken Arrow	16.50	Catoosa	Rogers 2	35.84	5.12	17.04	13.21	4.13	75.34
Tulsa	20.16	Inola	Rogers 5	37.15	5.31	16.29	11.36	4.13	74.24
		Locust Grove	Mayes 17	38.84	5.55	25.80	11.36	4.13	85.68
		Mazie	Mayes 32	36.07	5.15	6.66	11.36	4.13	63.37
		Tulsa	Tulsa 1	35.55	5.16	23.45	13.21	4.13	81.50
		Broken Arrow	Tulsa 3	36.15	5.16	28.62	13.21	4.13	87.27
		Bixby	Tulsa 4	36.31	5.19	26.88	13.21	4.13	85.72

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

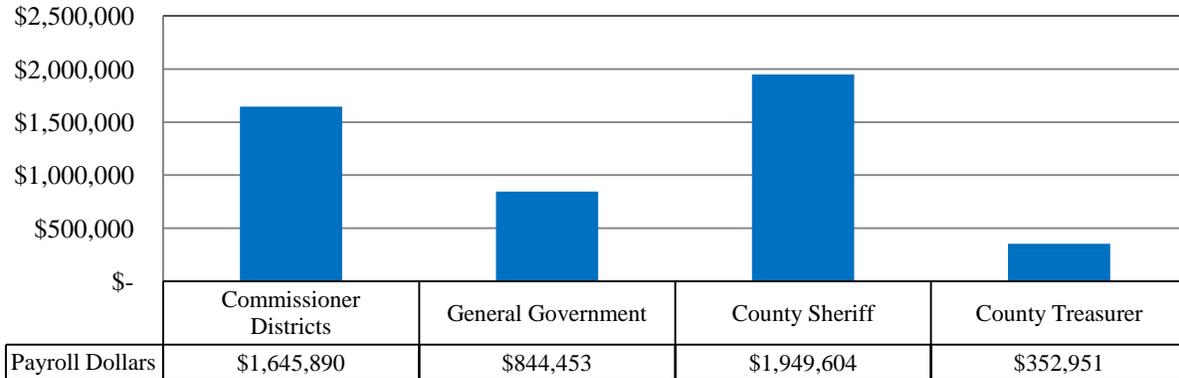
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2012	\$57,780,961	\$34,440,454	\$374,659,004	\$22,976,451	\$443,903,968	\$3,977,401,774
1/1/2011	\$53,128,540	\$33,879,128	\$363,101,719	\$17,898,225	\$432,211,160	\$3,859,028,214
1/1/2010	\$52,425,628	\$30,132,223	\$353,177,549	\$17,807,546	\$417,927,854	\$3,731,498,696
1/1/2009	\$50,522,835	\$29,554,002	\$338,563,249	\$17,602,745	\$401,037,341	\$3,580,690,545
1/1/2008	\$45,230,744	\$28,053,282	\$319,944,974	\$17,469,113	\$375,759,887	\$3,354,998,991



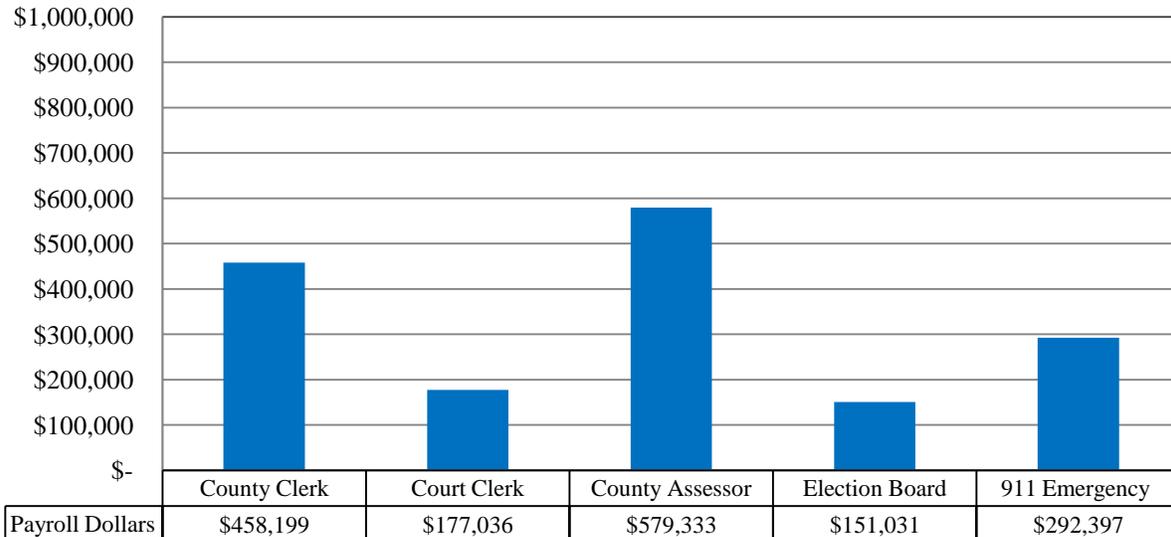
**WAGONER COUNTY, OKLAHOMA
COUNTY PAYROLL EXPENDITURES ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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



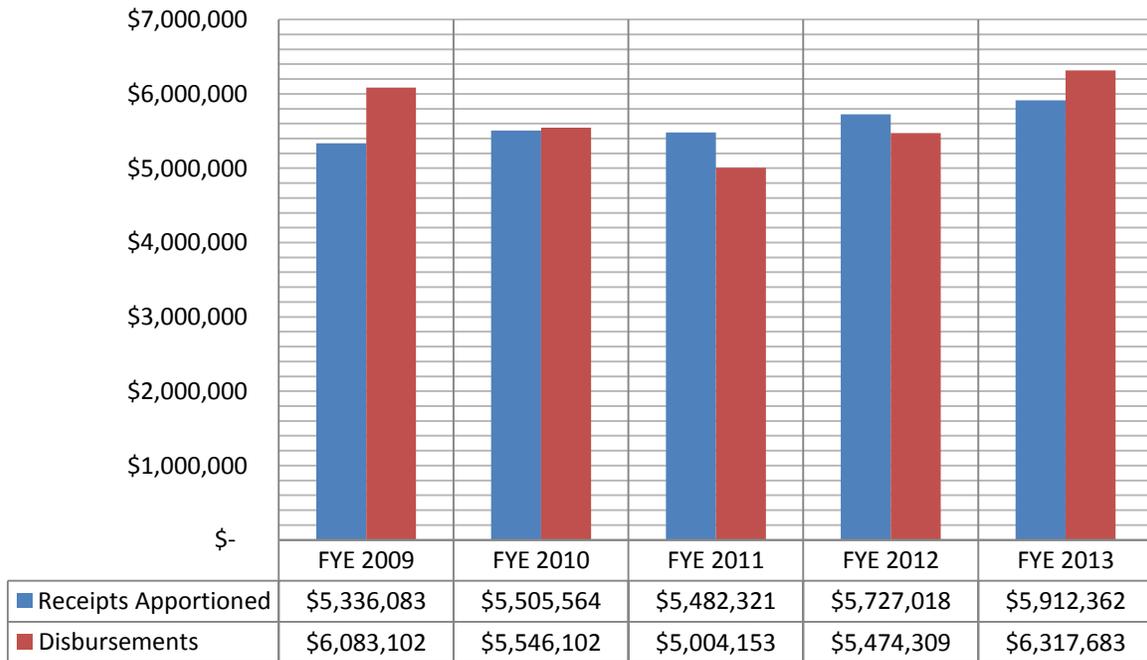
Payroll Expenditures by Department



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

County General Fund

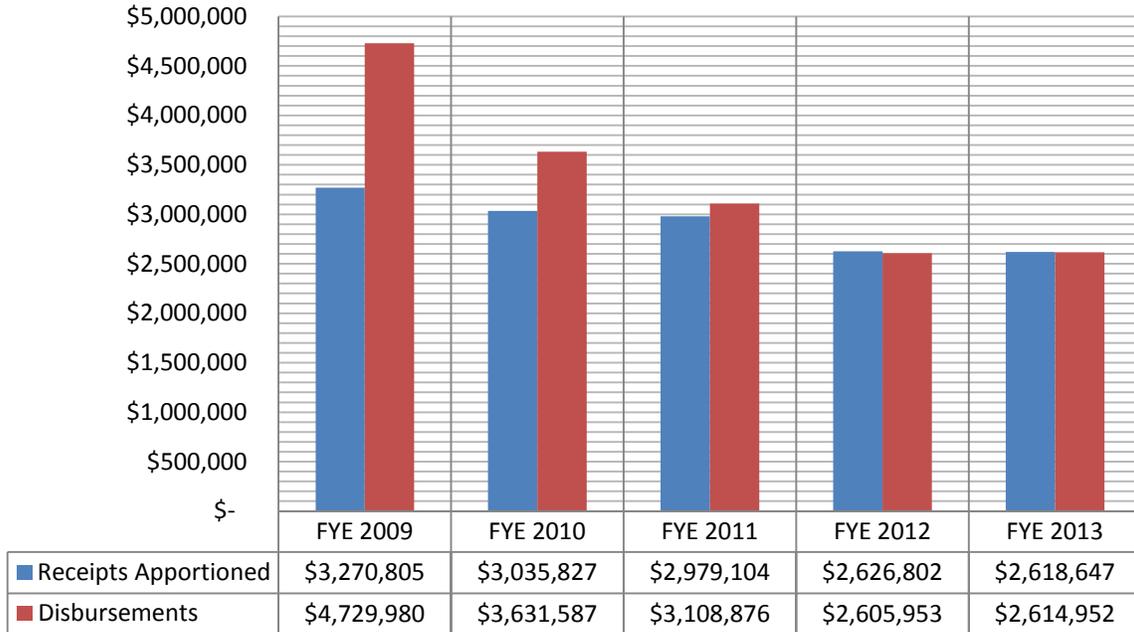
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also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



**WAGONER 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
WAGONER COUNTY, OKLAHOMA

Report on the Financial Statement

We have audited the combined total—all county funds on the accompanying regulatory basis Statement of Receipts, Disbursements, and Changes in Cash Balances of Wagoner County, Oklahoma, as of and for the year ended June 30, 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 Wagoner County using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Wagoner County as of June 30, 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 Wagoner 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 August 12, 2015, on our consideration of Wagoner County’s internal control over financial reporting and on our tests

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

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

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

August 12, 2015

REGULATORY BASIS FINANCIAL STATEMENT

WAGONER COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS
(WITH COMBINING INFORMATION)—MAJOR FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 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	\$ 2,878,317	\$ 5,912,362	\$ 500,000	\$ 500,000	\$ 6,317,683	\$ 2,472,996
1 Cent Sales Tax	3,611,399	4,868,795	300,000	300,000	4,029,254	4,450,940
County Health	1,970,895	1,272,967	-	-	1,504,538	1,739,324
T-Highway	1,401,040	2,618,647	-	-	2,614,952	1,404,735
Fire District Sales Tax	1,357,158	1,431,138	8,006	-	1,175,949	1,620,353
County Commissioners Use Tax	540,427	380,361	200,000	302,300	360,327	458,161
Special Economic Development	1,545,922	426,118	14,975	-	495,847	1,491,168
Remaining Aggregate Funds	9,437,669	2,272,470	55,520	8,006	3,270,884	8,486,769
Combined Total - All County Funds, as Restated	<u>\$ 22,742,827</u>	<u>\$ 19,182,858</u>	<u>\$ 1,078,501</u>	<u>\$ 1,110,306</u>	<u>\$ 19,769,434</u>	<u>\$ 22,124,446</u>

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

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

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

B. Fund Accounting

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

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

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

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

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

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

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

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

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

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

C. Basis of Accounting

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

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

D. Budget

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

E. Cash and Investments

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

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

**WAGONER 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.

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

D. Sales Tax

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

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

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

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

E. Interfund Transfers

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

- \$200,000 was transferred from the County Commissioners Use Tax fund and \$300,000 was transferred from the 1 Cent Sales Tax fund to the County General Fund to meet requirements of appropriations in accordance with 68 O.S. § 3021.
- \$500,000 was transferred from the County General Fund of which \$200,000 went to the County Commissioners Use Tax and \$300,000 went to the 1 Cent Sales Tax fund for repayment of the loan in accordance with 68 O.S. § 3021.
- \$2,195 from the Excess Resale fund (trust and agency fund) to the Resale Property fund in accordance with the 68 O.S. § 3131 (C).
- \$8,006 was transferred from REAP Grant OGFDF Gear fund into Fire District Sales Tax fund to close out fund.
- \$102,300 was transferred from the County Commissioners Use Tax fund to the following funds:
 - Special Economic Development - \$14,975
 - Step Program - \$53,325
 - Drug Court (trust and agency fund) - \$34,000

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

F. Restatement of Ending Cash Balance

The ending balance as reported on June 30, 2012 is different than the beginning balance of the June 30, 2013 report as follows:

Ending cash balance June 30, 2012, as previously reported	\$133,185
Ending cash balance June 30, 2012, as restated	\$133,285

OTHER SUPPLEMENTARY INFORMATION

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Beginning Cash Balances	\$ 2,878,316	\$ 2,878,317	\$ 1
Less: Prior Year Outstanding Warrants	(286,828)	(287,029)	(201)
Less: Prior Year Encumbrances	<u>(95,724)</u>	<u>(85,030)</u>	<u>10,694</u>
Beginning Cash Balances, Budgetary Basis	<u>2,495,764</u>	<u>2,506,258</u>	<u>10,494</u>
Receipts:			
Ad Valorem Taxes	4,160,591	4,556,973	396,382
Charges for Services	257,665	327,399	69,734
Intergovernmental Revenues	835,483	871,370	35,887
Miscellaneous Revenues	<u>158,529</u>	<u>156,620</u>	<u>(1,909)</u>
Total Receipts, Budgetary Basis	<u>5,412,268</u>	<u>5,912,362</u>	<u>500,094</u>
Expenditures:			
County Sheriff	1,931,890	1,900,008	31,882
County Treasurer	169,322	167,462	1,860
County Commissioners	230,000	207,267	22,733
OSU Extension	141,506	81,311	60,195
County Clerk	490,798	467,812	22,986
Court Clerk	200,500	188,290	12,210
County Assessor	255,983	251,136	4,847
Revaluation of Real Property	644,708	640,999	3,709
General Government	1,712,121	637,626	1,074,495
Excise-Equalization Board	7,700	6,169	1,531
County Election Board	181,245	177,664	3,581
Insurance	1,638,202	1,410,671	227,531
County Purchasing Agent	50,200	47,856	2,344
County Audit Budget Account	192,357	103,623	88,734
Storm Water Management	<u>61,500</u>	<u>55,295</u>	<u>6,205</u>
Total Expenditures, Budgetary Basis	<u>7,908,032</u>	<u>6,343,189</u>	<u>1,564,843</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	2,075,431	<u>\$ 2,075,431</u>
Operating Transfers:			
Opening Transfers In		500,000	
Opening Transfers Out		<u>(500,000)</u>	
Net Operating Transfers		-	
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		373	
Add: Current Year Outstanding Warrants		319,153	
Add: Current Year Encumbrances		<u>78,039</u>	
Ending Cash Balance		<u>\$ 2,472,996</u>	

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

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 1,970,800	\$ 1,970,895	95
Less: Prior Year Outstanding Warrants	(2,912)	(2,912)	-
Less: Prior Year Reserves	(177,470)	(90,629)	86,841
Beginning Cash Balances, Budgetary Basis	1,790,418	1,877,354	86,936
Receipts:			
Ad Valorem Taxes	1,041,157	1,140,349	99,192
Charges for Services	-	130,943	130,943
Miscellaneous Revenues	-	1,675	1,675
Total Receipts, Budgetary Basis	1,041,157	1,272,967	231,810
Expenditures:			
Health and Welfare	2,831,575	1,844,447	987,128
Total Expenditures, Budgetary Basis	2,831,575	1,844,447	987,128
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	1,305,874	\$ 1,305,874
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Reserves		428,608	
Add: Current Year Outstanding Warrants		4,842	
Ending Cash Balance		\$ 1,739,324	

WAGONER COUNTY, OKLAHOMA
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS—
REMAINING AGGREGATE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Beginning Cash Balances July 1, 2012	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2013
Remaining Aggregate Funds:						
Treasurer Mortgage Certification	\$ 333,999	\$ 18,260	\$ -	\$ -	\$ -	\$ 352,259
REAP Grant 1 RHFD	-	11,110	-	-	11,110	-
Community Sentencing Council	27,610	58,863	-	-	4,593	81,880
Resale Property	623,502	403,239	2,195	-	330,269	698,667
Storm Shelter Rebate	2,040	105,572	-	-	105,572	2,040
Law Enforcement/Corp of Engineers	52,523	32,016	-	-	730	83,809
Home Detention	1,663	-	-	-	-	1,663
County Clerk Lien Fee	60,906	32,554	-	-	14,948	78,512
Sheriff Fee Cash Fund	297,511	284,852	-	-	164,384	417,979
Sheriff JAG Recovery Grant	21,420	-	-	-	10,485	10,935
Assessor Visual Inspection	16	-	-	-	-	16
Assessor Revolving	3,860	1,904	-	-	4,060	1,704
Community Sentencing - DOC	121,510	32,433	-	-	96,497	57,446
County Clerk Records Preservation	114,403	82,055	-	-	9,209	187,249
REAP Grant	7,807	-	-	-	-	7,807
County Bridge Road Improvement	247,476	219,409	-	-	75,103	391,782
OHSO Grant	12,578	19,572	-	-	16,523	15,627
Sheriff Contract Prison	47,464	128,385	-	-	15,977	159,872
MD "Catch" Grant	76,669	-	-	-	-	76,669
ACCO Insurance Earthquake	15,485	-	-	-	15,485	-
Sheriff Commissary Fund	38,933	68,569	-	-	25,819	81,683
Planning and Zoning	49,086	197,848	-	-	153,139	93,795
Youth Graduated Sanction (STEP) Grant	358	345	-	-	511	192
Courthouse Building and Maintenance	6,568,708	11,561	-	-	1,410,404	5,169,865
Energy Efficiency Conservation Block Grant	14,036	-	-	-	7,039	6,997
STEP Program Cash Fund	15,891	-	53,325	-	50,016	19,200
REAP Grant OGFDF Gear	-	9,923	-	8,006	1,917	-
REAP Fairground	-	931	-	-	-	931
Guardrail EODD REAP	-	15,000	-	-	-	15,000
Radio Tower EODD REAP	-	15,000	-	-	-	15,000
Stone Bluff East Central Electric Donation	289	-	-	-	-	289
Wagoner County Recreational Complex	-	300	-	-	150	150
Stone Bluff Senior Citizen Trust Authority	1,080	-	-	-	1,034	46
Juvenile Offender Program	2,828	1,130	-	-	2,421	1,537
911 Emergency Cash	535,040	483,190	-	-	599,947	418,283
Juvenile Offender Program Grant	9,693	8,574	-	-	18,267	-
Civil Defense Cash Fund	133,285	29,875	-	-	125,275	37,885
Combined Total - Remaining Aggregate Funds	\$ 9,437,669	\$ 2,272,470	\$ 55,520	\$ 8,006	\$ 3,270,884	\$ 8,486,769

**WAGONER 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:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ACCO Insurance Earthquake – accounts for monies from insurance settlement and disbursements are for the repair of earthquake damage to county structures.

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

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

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

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

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

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

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

REAP Grant OGFDF Gear – accounts for state grant monies collected for Oak Grove Fire Department.

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

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

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

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

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

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

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

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

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

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

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

INTERNAL CONTROL AND COMPLIANCE SECTION



Oklahoma State Auditor & Inspector

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

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

TO THE OFFICERS OF
WAGONER COUNTY, OKLAHOMA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined total—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Wagoner County, Oklahoma, as of and for the year ended June 30, 2013, which comprises Wagoner County's financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated August 12, 2015.

Our report included an adverse opinion on the financial statement because the statement is prepared using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County for the year ended June 30, 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 Wagoner County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of Wagoner County's internal control. Accordingly, we do not express an opinion on the effectiveness of Wagoner County's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses to be a material weakness: 2013-1.

Compliance and Other Matters

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

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

Wagoner County's Responses to Findings

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

Purpose of this Report

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

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



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

August 12, 2015

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

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

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

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

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

Management Response:

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

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

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

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

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

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

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

Finding 2013-4 - Inadequate Segregation of Duties – Court Clerk (Repeat Finding)

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

Receipting Process:

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

Expenditure Process:

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

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

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

Recommendation: OSAI recommends that management be aware of these conditions and realize that concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. Regarding the receipting process, OSAI recommends that one employee should not be performing all of the duties regarding issuing receipts, balancing the cash drawer, preparing the deposit, and delivering the deposit to the County Treasurer’s office. Further, we recommend that all employees issuing receipts operate from separate cash drawers. The cash drawer should be closed out, reconciled to the employees daily receipts, and be approved by someone independent of the cash drawer and making the deposit.

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

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

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

Management Response:

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

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

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

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

Finding 2013-5 - Inadequate Internal Controls Over Reconciliations – Court Clerk (Repeat Finding)

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

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

- The Court Clerk's Revolving Fund quarterly report balance was not reconciled to the County Treasurer's balance at June 30, 2013.

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

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

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

Management Response:

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

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



OFFICE OF THE STATE AUDITOR & INSPECTOR
2300 N. LINCOLN BOULEVARD, ROOM 100
OKLAHOMA CITY, OK 73105-4896

WWW.SAI.OK.GOV