

COUNTY AUDIT

BLAINE 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

**BLAINE 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

May 28, 2014

TO THE CITIZENS OF
BLAINE COUNTY, OKLAHOMA

Transmitted herewith is the audit of Blaine 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

**BLAINE 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.....	10
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

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

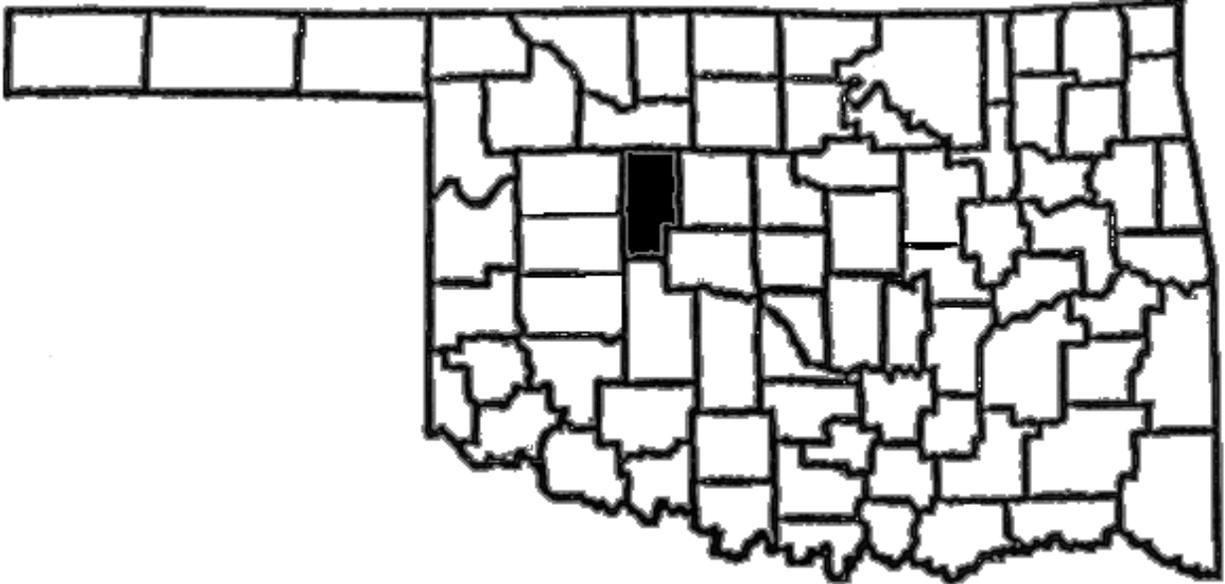
INTERNAL CONTROL AND COMPLIANCE SECTION

Report on Internal Control over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance With
Government Auditing Standards..... 16

Schedule of Findings and Responses..... 18

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

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



Originally designated as “C” County in 1890, Blaine was adopted as the county name in November 1892, in honor of James G. Blaine, U.S. Senator, House Speaker, and Republican presidential candidate in 1884.

The county seat, Watonga, was named for Watangaa, or Black Coyote, an Arapaho leader.

Blaine County is the site of the first gypsum mill in Oklahoma Territory, the Ruby Stucco Mill. Southard, located in the north central part of the county, is the site of one of the purest gypsum deposits in the United States. The U.S. Gypsum Company is the largest industrial plant in the county.

The International Association of Rattlesnake Hunters has headquarters in Okeene, which is also the site of its Jaycees Annual Rattlesnake Hunt. The Canton Lake Walleye Pike Rodeo and Fishing Derby occur annually. Roman Nose State Park is located seven miles north of Watonga. For more information, call the Watonga Chamber of Commerce at 580/623-5452, or the county clerk’s office at 580/623-5890.

County Seat – Watonga

Area – 938.88 Square Miles

County Population – 9,785 (2012 est.)

Farms – 862

Land in Farms – 585,908 Acres

Primary Source: Oklahoma Almanac 2013-2014

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

Board of County Commissioners

District 1 – Melba Nance
District 2 – Jonathon Cross
District 3 – Raymond Scheffler

County Assessor

Ronda Greer

County Clerk

Della Wallace

County Sheriff

Margarett Parman

County Treasurer

Donna Hoskins

Court Clerk

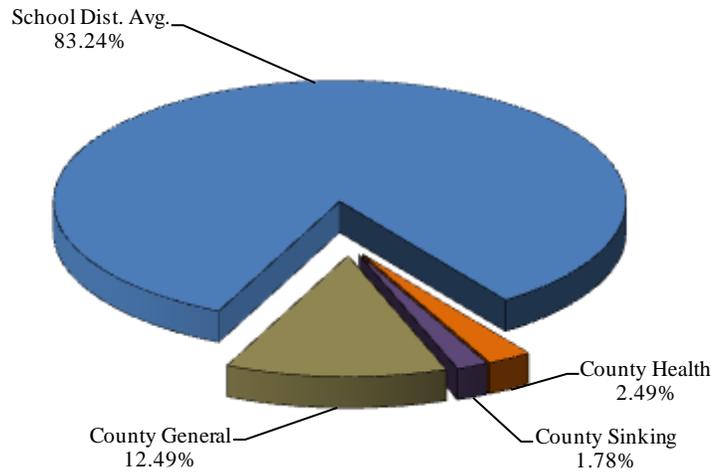
Cynthia Scheffler

District Attorney

Michael Fields

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

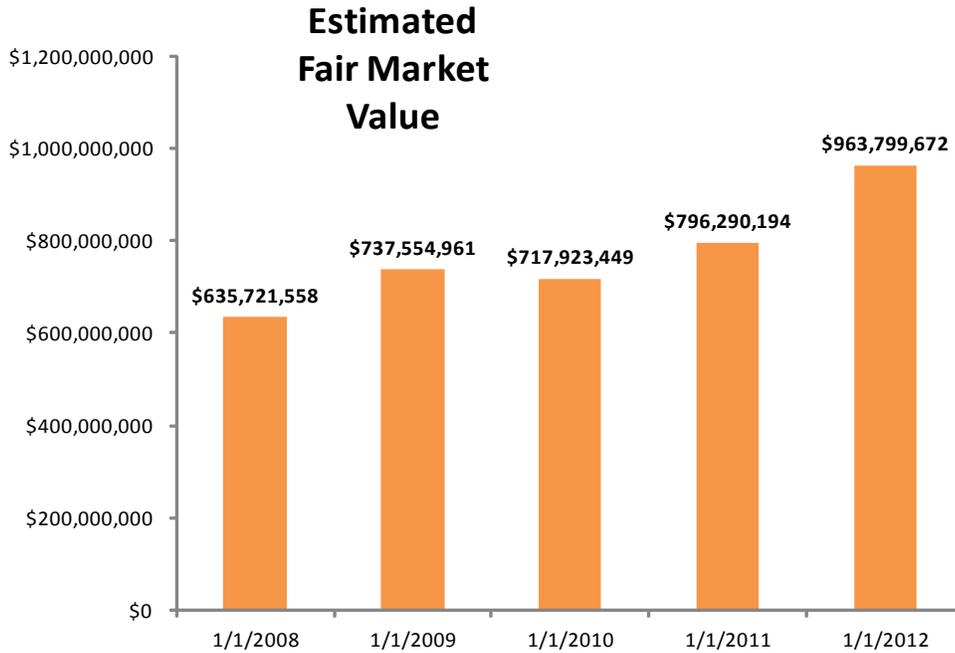
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the 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.	EMS	Career Tech	Common	Total	
County General	10.62									
County Health	2.12	Okeene	I-9	36.89	5.27	21.27	3.16	-	4.25	70.84
County Sinking	1.51	Okeene HR	I-9	36.89	5.27	21.27	3.16	12.53	4.25	83.37
		Watonga	I-42	36.82	5.26	4.11	3.00	12.53	4.25	65.97
		Geary	I-80	38.31	5.47	6.06	3.28	-	4.25	57.37
		Canton	I-105	37.03	5.29	4.82	3.17	13.75	4.25	68.31
		Major	I-84	36.88	5.27	13.36	-	13.75	4.25	73.51
		Major	I-92	35.00	5.00	10.12	-	15.00	4.25	69.37
		Kingfisher	J-3	37.37	5.34	11.15	3.00	12.53	4.25	73.64
		Custer	J-7	37.03	5.29	12.16	3.00	-	4.25	61.73
		Custer	J-1	37.68	5.38	22.21	-	11.81	4.25	81.33
		Caddo	J-3	35.17	5.02	13.48	3.08	11.81	4.25	72.81

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

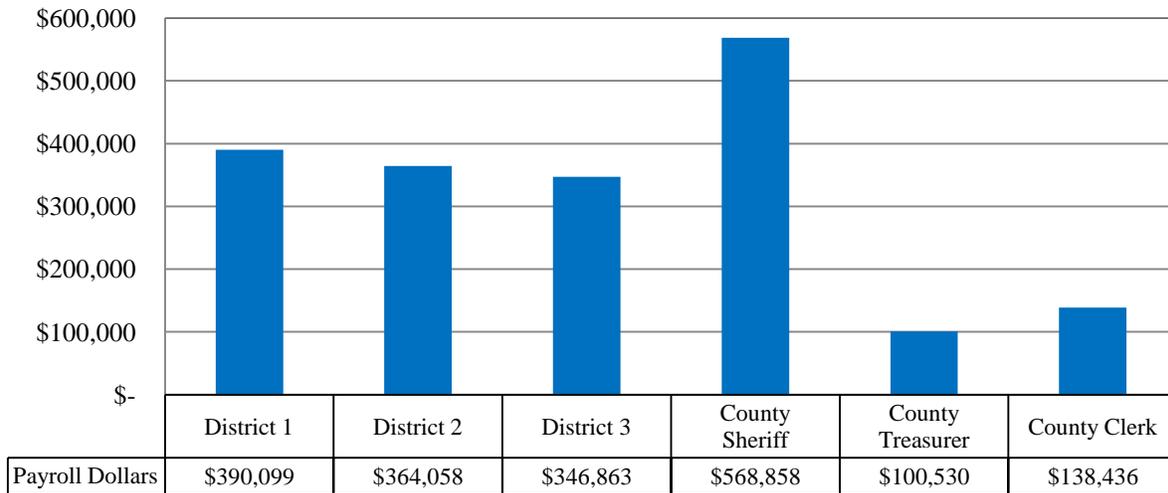
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2012	\$48,931,138	\$11,324,356	\$48,665,276	\$2,375,916	\$106,544,854	\$963,799,672
1/1/2011	\$34,815,733	\$11,435,173	\$47,271,291	\$2,379,242	\$91,142,955	\$796,290,194
1/1/2010	\$27,100,091	\$10,966,636	\$46,592,145	\$2,386,150	\$82,272,722	\$717,923,449
1/1/2009	\$31,180,220	\$8,601,184	\$45,810,212	\$2,348,798	\$83,242,818	\$737,554,961
1/1/2008	\$22,055,519	\$7,822,258	\$44,108,214	\$2,358,736	\$71,627,255	\$635,721,558



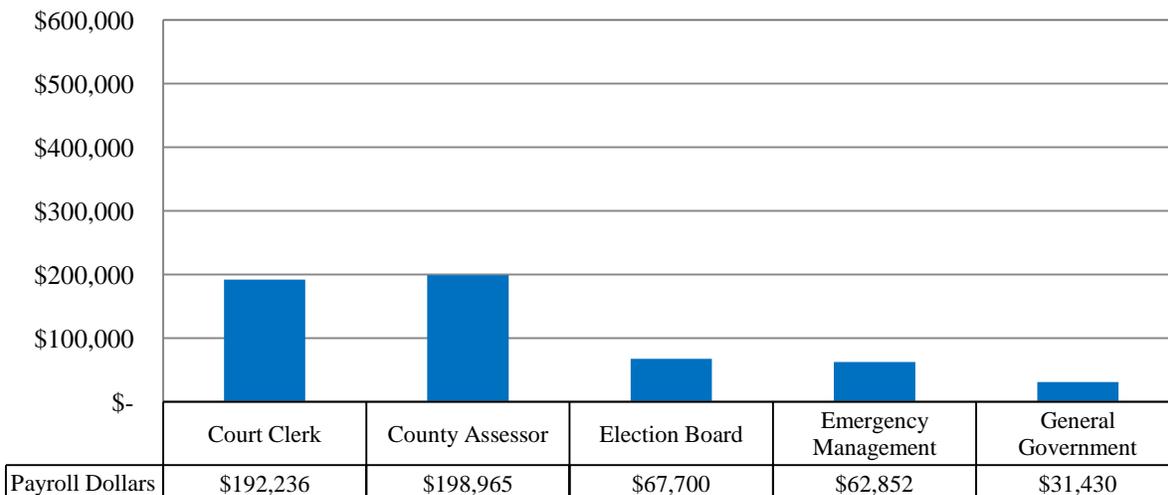
**BLAINE COUNTY, OKLAHOMA
COUNTY PAYROLL EXPENDITURES ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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



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

County General Fund

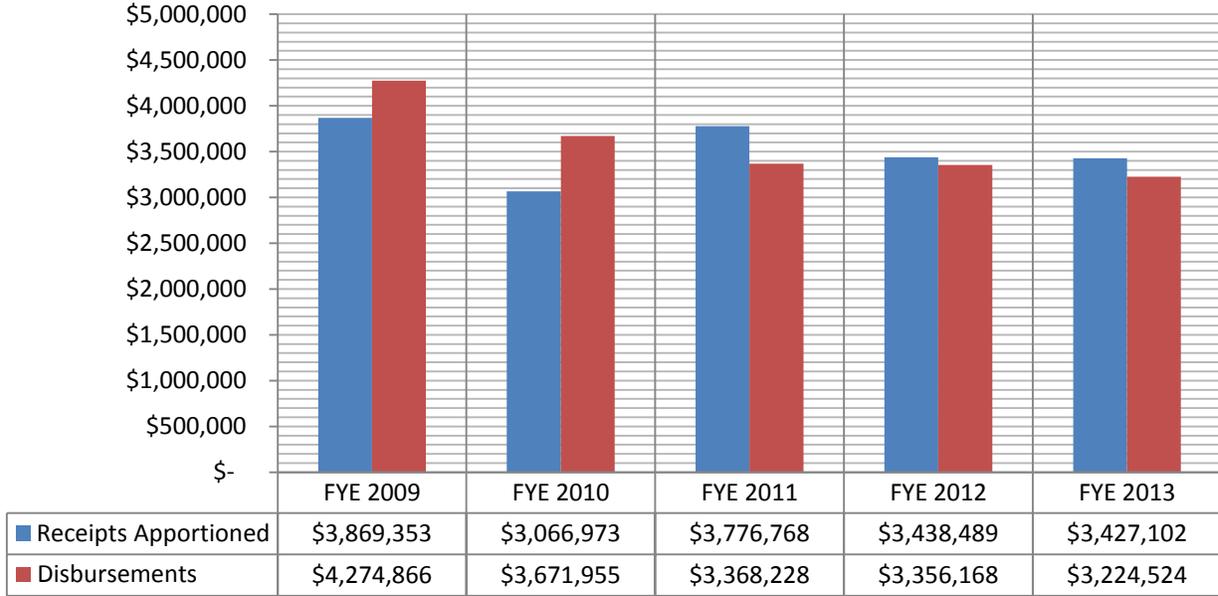
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also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



**BLAINE 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
BLAINE 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 Blaine 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 Blaine 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 Blaine 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 Blaine 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 May 27, 2014, on our consideration of Blaine 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 Blaine County's internal control over financial reporting and compliance.



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

May 27, 2014

REGULATORY BASIS FINANCIAL STATEMENT

**BLAINE 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	Disbursements	Ending Cash Balances June 30, 2013
Combining Information:				
Major Funds:				
County General Fund	\$ 4,352,757	\$ 2,452,023	\$ 2,582,979	\$ 4,221,801
County Highway Cash	2,082,638	3,427,102	3,224,524	2,285,216
County Bridge and Road Improvement Fund 105	-	416,757	399,967	16,790
County Health Department	189,488	229,413	221,933	196,968
Enhanced 911	370,386	191,276	81,700	479,962
Sheriff Service Fee	107,658	179,402	210,224	76,836
General Obligation Bond Sinking	174,759	164,626	157,370	182,015
Blaine County Fire Department	-	24,752	-	24,752
Remaining Aggregate Funds	548,082	258,158	194,954	611,286
Combined Total - All County Funds	<u>\$ 7,825,768</u>	<u>\$ 7,343,509</u>	<u>\$ 7,073,651</u>	<u>\$ 8,095,626</u>

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

1. Summary of Significant Accounting Policies

A. Reporting Entity

Blaine 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 for the purpose of constructing and maintaining county roads and bridges.

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

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

Enhanced 911 – accounts for the fees charged on phone service and disbursements of funds for the operation of Enhanced 911.

**BLAINE 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 statute.

General Obligation Bond Sinking – accounts for the payment of interest and principal on the matured portion of long-term bonded debt. Receipts are derived generally from a special ad valorem tax levy and from interest earned on investments of cash not immediately required for debt service payments.

Blaine County Fire Department – accounts for the County sales tax proceeds to be used for contract payments to rural fire departments.

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

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

identifiable on the County's books. The balance in the pooled cash accounts is available to meet current operating requirements.

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

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

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

2. Ad Valorem Tax

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

Taxes are due on November 1 following the levy date, although they may be paid in two equal installments. If the first half is paid prior to January 1, the second half is not delinquent until April 1. 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

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

writing OPERS, P.O. Box 53007, Oklahoma City, Oklahoma 73105 or by calling 1-800-733-9008.

Funding Policy. The contribution rates for each member category are established by the Oklahoma Legislature and are based on an actuarial calculation which is performed to determine the adequacy of contribution rates.

B. Other Post Employment Benefits (OPEB)

In addition to the pension benefits described in the Pension Plan note, OPERS provides post-retirement health care benefits of up to \$105 each for retirees who are members of an eligible group plan. These benefits are funded on a pay-as-you-go basis as part of the overall retirement benefit. OPEB expenditure and participant information is available for the state as a whole; however, information specific to the County is not available nor can it be reasonably estimated.

C. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, primarily the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time; although, the County expects such amounts, if any, to be immaterial.

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. Long Term Obligations

1. General Obligation Bonds

The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. Debt service on the bonds will be paid from ad valorem taxes levied and assessed on behalf of the issuer and deposited to the Sinking Fund.

The Blaine County Industrial Authority issued General Obligation Refunding Limited Tax Bonds of 2010 on June 30, 2010, to retire the Blaine County General Obligation Limited Tax Bonds of 1999 dated August 30, 1999. First State Bank, Watonga, Oklahoma, and First National Bank, Okeene, Oklahoma, share equally in the \$610,000 bond issue.

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

General obligation bonds are direct obligations and pledge the full faith and credit of the government. General obligation bonds currently outstanding are as follows:

Bank	Interest Rates	Amount
First State Bank	0.74%	\$ 70,000
First State Bank	1.25%	75,000
First State Bank	1.76%	80,000
First State Bank	2.26%	80,000
First National Bank	0.74%	70,000
First National Bank	1.25%	75,000
First National Bank	1.76%	80,000
First National Bank	2.26%	80,000
Total		<u>\$610,000</u>

During the fiscal year 2013, payments included \$150,000 for principal, \$6,940 for interest, and \$430 for fees.

Annual debt service requirements to maturity for general obligation bonds, including interest of \$9,248, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2014	\$ 160,000	\$ 5,632	\$ 165,632
2015	160,000	3,616	163,616
Total	<u>\$ 320,000</u>	<u>\$ 9,248</u>	<u>\$ 329,248</u>

E. Sales Tax

On November 2, 2004, the citizens of Blaine County voted a county sales tax of one-half of one percent (1/2 of 1%) for an indefinite period of time. Said tax of one-half of one percent (1/2 of 1%) shall be deposited into the County General Fund for the purpose of maintaining and operating the Blaine County Courthouse and Jail.

On November 6, 2012, the citizens of Blaine County voted on an additional county sales tax of one-quarter of one percent (1/4 of 1%) continuing thereafter for a period of ten (10) years terminating on December 31, 2023. Said tax of one-quarter of one percent (1/4 of 1%) shall be for the purpose of contracting with the following communities; Canton, Eagle City, Geary, Greenfield, Hitchcock, Hydro, Longdale, Okeene, and Watonga, for such rural fire protection as may be deemed necessary by the Board of County Commissioners. These funds are maintained in the Blaine County Fire Department fund.

OTHER SUPPLEMENTARY INFORMATION

BLAINE 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	\$ 4,352,757	\$ 4,352,757	\$ -
Less: Prior Year Outstanding Warrants	(49,820)	(49,820)	-
Less: Prior Year Encumbrances	(65,792)	(57,196)	8,596
Beginning Cash Balances, Budgetary Basis	<u>4,237,145</u>	<u>4,245,741</u>	<u>8,596</u>
Receipts:			
Ad Valorem Taxes	1,030,286	1,144,161	113,875
Charges for Services	12,896	110,102	97,206
Intergovernmental Revenues	97,012	1,124,635	1,027,623
Miscellaneous Revenues	-	73,125	73,125
Total Receipts, Budgetary Basis	<u>1,140,194</u>	<u>2,452,023</u>	<u>1,311,829</u>
Expenditures:			
District Attorney	18,889	10,391	8,498
County Sheriff	604,658	579,042	25,616
County Treasurer	116,318	115,427	891
County Commissioners	1,522,361	182,148	1,340,213
OSU Extension	20,500	20,144	356
County Clerk	159,056	154,818	4,238
Court Clerk	162,795	162,240	555
County Assessor	157,841	143,195	14,646
Revaluation of Real Property	177,558	135,027	42,531
Juvenile Shelter Bureau	23,800	7,057	16,743
General Government	926,170	158,839	767,331
Excise-Equalization Board	5,850	3,083	2,767
County Election Board	75,323	74,617	706
Insurance-Benefits	1,328,194	763,807	564,387
Charity	1	-	1
Civil Defense	66,853	66,849	4
County Audit Budget Account	10,672	-	10,672
Provision for Interest on Warrants	500	-	500
Total Expenditures, Budgetary Basis	<u>5,377,339</u>	<u>2,576,684</u>	<u>2,800,655</u>

Continued on next page

**BLAINE 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	\$ -	4,121,080	\$ 4,121,080
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		21,820	
Add: Current Year Encumbrances		78,901	
Ending Cash Balance		\$ 4,221,801	

**BLAINE 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	\$ 189,488	\$ 189,488	\$ -
Less: Prior Year Outstanding Warrants	(10,333)	(10,333)	-
Less: Prior Year Encumbrances	(31,357)	(25,946)	5,411
Beginning Cash Balances, Budgetary Basis	147,798	153,209	5,411
Receipts:			
Ad Valorem Taxes	205,669	229,413	23,744
Total Receipts, Budgetary Basis	205,669	229,413	23,744
Expenditures:			
Health and Welfare	353,467	233,766	119,701
Total Expenditures, Budgetary Basis	353,467	233,766	119,701
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	148,856	\$ 148,856
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		44,844	
Add: Current Year Outstanding Warrants		3,268	
Ending Cash Balance		\$ 196,968	

BLAINE 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:				
County Building Fund	\$ 37,579	\$ 9,000	\$ 2,878	\$ 43,701
Emergency Management	32,075	15,440	20,498	27,017
County Clerk Records Preservation Fee	33,562	19,596	9,037	44,121
County Clerk Lien Fee	15,088	16,775	12,055	19,808
Treasurer Mortgage Tax Certification Fee	14,487	1,530	-	16,017
Sheriff Prisoner Revolving (D.O.C. Fund)	20,888	40,995	21,804	40,079
Assessor Visual Inspection	1,721	-	-	1,721
Resale Property	97,719	66,929	75,589	89,059
Assessor Revolving	4,959	2,013	1,406	5,566
Canton Lake Patrol	8,832	11,494	13,998	6,328
Lodging Tax	79,455	70,381	37,439	112,397
Sheriff Seizure (Drug Seizure)	169	-	-	169
Commissary	1,548	4,005	250	5,303
Highway Investments	200,000	-	-	200,000
Combined Total - Remaining Aggregate Funds	\$ 548,082	\$ 258,158	\$ 194,954	\$ 611,286

**BLAINE 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:

County Building Fund – accounts for collections of rent on county owned buildings and disbursements are for building maintenance.

Emergency Management – accounts for the receipts and disbursement of funds from state and local government for civil defense purposes.

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

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

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

Sheriff Prisoner Revolving (D.O.C. Fund) – accounts for the collection of monies from the Oklahoma Department of Corrections and disbursements are for the purpose of maintaining the jail.

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

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

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

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

Canton Lake Patrol – accounts for state funds used for the patrol of the Canton Lake area.

Lodging Tax – accounts for a 5% hotel/motel tax used only for maintenance of the fairgrounds.

Sheriff Seizure (Drug Seizure) – accounts for property forfeited to the Sheriff from the arrest involving illegal use of drugs and disbursements are to be used for intervention and prevention of narcotics use.

Commissary – accounts for the collections of the sale of items to inmates and disbursements to purchase commissary goods from the vendor and can be used for the maintenance and operation of the County jail.

Highway Investments – Accounts for the investments held for the benefit of the County Highway Cash fund.

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
BLAINE 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 Blaine County, Oklahoma, as of and for the year ended June 30, 2013, which comprises Blaine County's financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated May 27, 2014.

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 Blaine 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 Blaine County's internal control. Accordingly, we do not express an opinion on the effectiveness of Blaine 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, 2013-4, 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 deficiency described in the accompanying schedule of findings and responses to be a significant deficiency: 2013-12.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Blaine 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 2013-4.

We also noted certain instances of noncompliance with provisions of contracts and grant agreements or abuse that have an effect on the financial statement that is less than material, but warrant the attention of those charge with governance, and which are included in Section 2 of the schedule of findings and responses contained in this report.

Blaine County's Responses to Findings

Blaine County's responses to the findings identified in our audit, are described in the accompanying schedule of findings and responses. Blaine 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

May 27, 2014

**BLAINE 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*

Finding 2013-1—Inadequate County-Wide Controls (Repeat Finding)

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

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

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

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

Management Response:

County Commissioners: Each office in the County is writing and establishing procedures for county-wide controls regarding Risk Management and Monitoring.

County Clerk: We are in the process of designing our procedures for risk management so we will be able to monitor procedures to assess the quality of performance and comply with laws and regulations.

County Treasurer: The County Treasurer, Districts, County Clerk, and Emergency Management will identify all receipts from federal and state funding with control numbers. A copy of the receipt will be given to the person from which the funds were received and a copy will be kept in the treasurer's office to match up at the end of the year.

County Assessor: The County Assessor responded by submitting written office policies.

Court Clerk: This deficiency has been noted and appropriate steps will be taken to adopt procedures that address County-Wide internal controls regarding Risk Management and Monitoring.

County Sheriff: The Sheriff's office performs back-ups for all their data.

Criteria: Internal control is an integral component of an organization's management that provides reasonable assurance that the objectives of effectiveness and efficiency of operations, reliability of financial reporting and compliance with laws and regulations are being made. Internal control comprises the plans, methods, and procedures used to meet missions, goals, and objectives. Internal control also serves as the first line of defense in safeguarding assets and preventing and detecting errors and fraud.

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

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 2013-4—Inadequate Internal Controls and Noncompliance Over the Purchasing Process (Repeat Finding)

Condition: Upon inquiry and observation of the County’s purchasing process, it was noted that the Purchasing Agent prepares purchase orders, encumbers purchase orders, approves/authorizes the encumbrance, reviews the purchase order for accuracy, prepares the warrants, maintains ledgers, and distributes warrants.

The test of forty-seven purchased orders reflected three instances in which the purchase order was not encumbered prior to the date on the vendor’s invoice resulting in noncompliance.

Fund	Dept	Warrant Number	PO Number	Account	Vendor	Warrant Date	Amount
001	900	261	2996	258	Copiers Plus Service	5/28/13	\$56.40
101	3103	32	509	340	United States Gypsum Co.	8/27/12	\$14,758.71
101	3103	89	1376	23	Caterpillar Financial Services	12/10/12	\$2,582.01

Cause of Condition: Policies and procedures have not been designed with regard to adequate segregation of duties and/or compensating controls of the purchasing process. Procedures have not been implemented to ensure that encumbrances of funds are made prior to the obligation of such funds.

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

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

Further, the duties of encumbering funds and posting to the ledgers should be separated from the printing and distribution of payments.

In addition, we recommend that all purchases be encumbered prior to ordering goods or services in accordance with Title 19 O.S. § 1505.C2.

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

Management Response:

County Clerk: In response to segregation of duties for purchasing, a deputy will encumber the purchase order or enter it into the computer. The Purchasing Agent will then approve/authorize the purchase, by balancing the report to the purchase orders. The County Clerk will review the purchase order for accuracy. The Purchasing Agent will prepare the warrants, and another deputy will make sure the ledgers balance before the warrants are printed. The purchasing agent will prepare warrants and another deputy or the County Clerk will distribute the warrants.

District 3 Commissioner: Blaine County District 3 Commissioner will make an effort to ensure that purchases orders are encumbered before allowing purchases to be made.

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, authorizing, and distribution should be segregated.

Further, Title 19 O.S. § 1505.C2 requires that funds be encumbered prior to the ordering of goods or services.

Finding 2013-5—Inadequate Internal Controls Over the Payroll Process (Repeat Finding)

Condition: Upon inquiry of the County Clerk and employees, and observation of documentation, we determined that the payroll duties are concentrated within one employee, as follows:

- Payroll information entered into the County Clerk's computer system is not reviewed by someone other than the preparer (the Payroll Clerk).
- The Payroll Clerk is responsible for enrolling new employees, maintaining personnel files, and entering monthly payroll information.

Cause of Condition: Procedures with regard to segregating the duties over the payroll process within the office of the County Clerk have not been designed.

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 the following key accounting functions of the payroll process be adequately segregated:

- Posting new hires and/or making payroll changes to the payroll system.
- Maintaining personnel files.
- Performing the direct deposit.

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

- Preparing end of month payroll reports.

Management Response:

County Clerk: The Payroll Clerk will oversee written forms on new hires. The County Clerk or Purchasing Agent will then enter the new hire information onto the payroll computer program. The Payroll Clerk will maintain personnel files. The Payroll Clerk will enter the monthly payroll information and another deputy will ensure the information is correct. The Payroll Clerk and another deputy will sign claims and payroll register verifying that they are accurate.

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 payroll calculations and/or transactions. To help ensure a proper accounting of funds, the duties of processing, authorizing, and payroll distribution should be segregated.

Finding 2013-12 – Inadequate Internal Controls Over Federal Awards (Repeat Finding)

Condition: The County received several federal awards that were not included on the County prepared Schedule of Expenditures of Federal Awards (SEFA). After reviewing the miscellaneous receipts, it was determined that awards had been receipted; however, the expenditures for these grants were not recorded on the SEFA. It was also noted that the approved SEFA contained several errors in calculations. The federal expenditures recorded on the original SEFA were \$218,574, the amount of federal expenditures recorded on the final SEFA were \$105,307 resulting in a \$113,267 decrease in the federal expenditures reported by the County.

Cause of Condition: Procedures have not been designed to accurately account for the application, receipt, and expenditure of federal awards. Information regarding federal awards is not being clearly communicated between the County Commissioners, County Clerk, County Treasurer, and Emergency Manager. The SEFA is not being reviewed prior to approving it for distribution.

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

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

Management Response:

County Commissioners: Policy and procedures are being established for accounting for all federal grants awarded to the County. All offices involved will be adequately trained on proper accounting procedures.

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

County Clerk: Each entity applying for a federal grant will prepare a spreadsheet or otherwise give to the person preparing the SEFA all pertinent details so that the information will be entered correctly on the SEFA report.

County Treasurer: The County Treasurer, Districts, County Clerk, and Emergency Management will identify all receipts from federal and state funding with control numbers. A copy of the receipt will be given to the person from which the funds were received and a copy will be kept in the treasurer's office to match up at the end of the year.

Emergency Management: We are currently in the process of creating a spreadsheet to remedy the issue.

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

OMB Circular A-133 Subpart C §__.300 reads as follows:

Subpart C-Auditees
§__.300 Auditee responsibilities
The auditee shall:

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

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

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 2013-8—Inadequate Internal Controls Over Sheriff's Inmate Trust Account (Repeat Finding)

Condition: In the Sheriff's office, there is a lack of segregation of duties in regard to the Inmate Trust Account. One employee issues receipts, prepares deposits, prints checks, and prepares the reconciliation to the bank statement. In addition, this same employee prepares vouchers, signs vouchers, and posts vouchers to the ledger.

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

Cause of Condition: Procedures have not been designed to adequately segregate the duties over the Inmate Trust Account collection and disbursement processes.

Effect of Condition: These conditions could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of funds in the Sheriff's Inmate Trust Account.

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

Management Response:

County Sheriff: Personnel are now in place to allow at least three people per shift to handle receipts, make deposits, sign checks, and reconcile bank statements.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of fund, 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 2013-9 – Inadequate Internal Controls and Noncompliance Over Consumable Inventories (Repeat Finding)

Condition: Upon inquiry of the recordkeeping processes regarding consumable inventory, it was noted that the District 3 Commissioner did not maintain records to track the purchase, use, or balances of consumable inventory items.

Cause of Condition: Procedures have not been implemented with regard to accounting for and safeguarding the consumable items that are purchased by District 3.

Effect of Condition: This condition has resulted in noncompliance with state statutes. When consumable inventory items are not adequately accounted for and safeguarded there is an opportunity for misappropriation and undetected errors.

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

Management Response:

District 3 Commissioner: Blaine County District 3 is currently in the process of updating our consumable inventory records. Once the inventory is up-to-date, we will implement procedures to ensure

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

that consumable inventory records are accurate and current. Monthly reviews will be performed to provide assurance that statutes are being followed.

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

Title 19 O.S. § 1504A provides guidance with regard to accounting for the consumable items.

Finding 2013-10 – Inadequate Internal Controls and Noncompliance Over Fixed Assets (Repeat Finding)

Condition: Upon inquiry of employees and review of records, we noted that the following offices did not maintain evidence that an annual physical verification of fixed assets was performed:

- District 1 Commissioner
- District 2 Commissioner
- District 3 Commissioner
- County Sheriff

District 2 Commissioner:

- Two of the ten items selected were not properly marked "Property of Blaine County."

County Sheriff:

- Two of the five items selected were not properly marked with county identifications numbers.

Court Clerk:

- Two of the five items selected were not properly marked with county identification numbers.

Cause of Condition: Procedures have not been designed and implemented by county officers to document annual fixed assets inventory counts and properly mark equipment.

Effect of Condition: When fixed assets are not monitored and equipment is not properly marked with identification numbers and "Property of Blaine County," opportunities for misuse or loss of equipment can occur.

Recommendation: OSAI recommends that management implement internal controls to ensure compliance with Title 19 O.S. § 178.1 and that fixed assets are safeguarded against misuse and loss. OSAI additionally recommends that management implement internal controls to ensure compliance with Title 69 O.S. § 645 to properly mark equipment.

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

Management Response:

Districts 1 and 2 Commissioners: Procedures are being written to establish protocol for annual physical verification of fixed assets. The documentation of this process will be verified and signed. Procedures are being written to establish protocol to ensure that each of the pieces of equipment is marked "Property of Blaine County" and county identification numbers.

District 3 Commissioner: Blaine County District 3 Commissioner will visually check and document fixed assets checked against the inventory list twice a year. A visual check will be performed and signed by someone other than Requisitioning Officer or Receiving agent.

County Sheriff: All fixed assets are now properly marked.

Court Clerk: This discrepancy has been noted and appropriate steps have been taken to correct it. Equipment has been purchased that will produce labels that are more legible and adhere better to surfaces.

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

Title 69 O.S. § 645 requires that County-owned automobiles, trucks, road machinery and equipment be conspicuously and legibly marked PROPERTY OF (name of county) COUNTY.

Title 19 O.S. § 178.1 requires the county to have a system of identification for the inventory of fixed assets.

Finding 2013-16 – Noncompliance Over Commissary Fund Reporting

Condition: The County Sheriff did not file an annual report of the Commissary Fund with the Board of County Commissioners.

Cause of Condition: Procedures have not been designed to present the activities of the Commissary Fund to the Board of County Commissioners.

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

Recommendation: OSAI recommends an annual report of commissary operations be submitted to the Board of County Commissioners no later than January 15th of each year.

Management Response:

County Sheriff: An annual report of the Commissary Fund will be submitted to the Board of County Commissioners no later than January 15th of each year.

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

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



OFFICE OF THE STATE AUDITOR AND INSPECTOR

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