

COUNTY AUDIT

# ADAIR COUNTY

For the fiscal year ended June 30, 2009



*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

**ADAIR COUNTY, OKLAHOMA  
FINANCIAL STATEMENT  
AND INDEPENDENT AUDITOR'S REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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



# Oklahoma State Auditor & Inspector

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

November 14, 2012

TO THE CITIZENS OF  
ADAIR COUNTY, OKLAHOMA

Transmitted herewith is the audit of Adair County, Oklahoma for the fiscal year ended June 30, 2009. 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

**ADAIR COUNTY, OKLAHOMA  
FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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**ADAIR COUNTY, OKLAHOMA  
FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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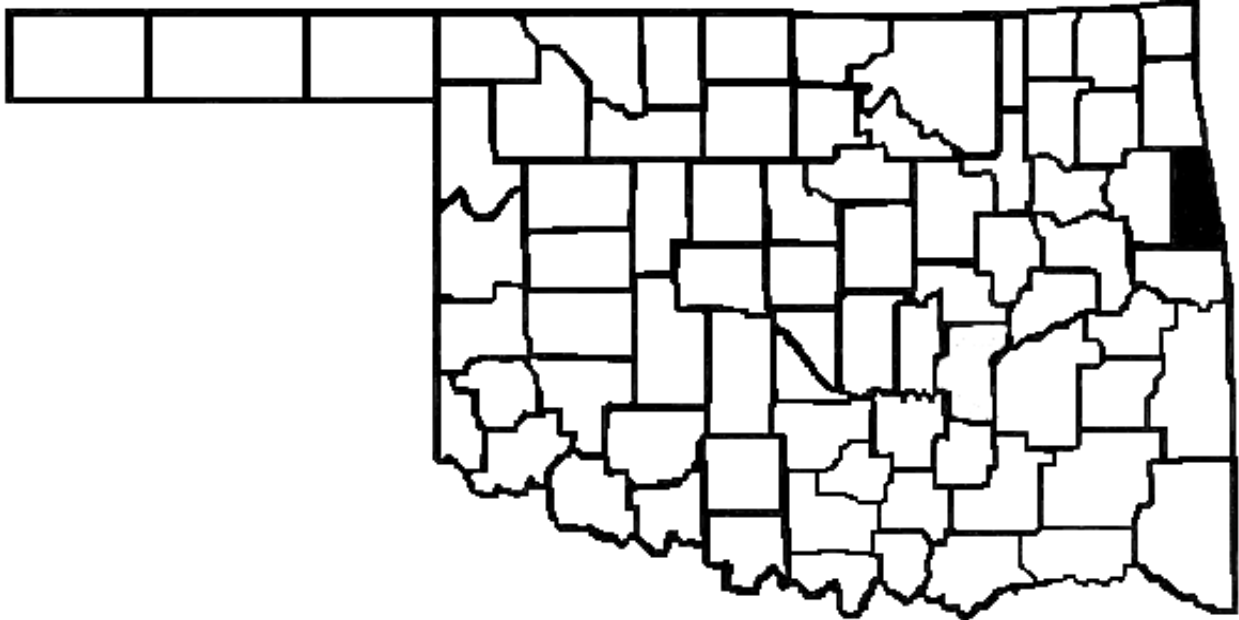
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**REPORT TO THE CITIZENS  
ADAIR COUNTY, OKLAHOMA**

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Bordering Arkansas, Adair County was created at statehood and named for a well-known Cherokee Indian family. The county seat has been located in Stilwell since 1910.

Primary industries of the county include food processing and canning, poultry raising, cattle ranching, and horse breeding. The Annual Strawberry Festival is held on the second Saturday in May in Stilwell.

Sites of interest within Adair County include the Old Baptist Missionary Church, built in 1836 by the Cherokee Indians, who traversed on the Trail of Tears to Oklahoma. The church is located north of Stilwell near Westville. A marker stands near the community of Watts recognizing Fort Wayne, a military post established in 1838. Abandoned in 1842, it was reactivated and became the site of a Civil War battle in 1862.

Professional football player Sam Claphan and Wilma Mankiller, former principal chief of the Cherokee Nation, hail from Adair County.

The *Adair County History Book* provides additional facts about the county. For more county information, call the County Clerk's office at 918-696-7633.

County Seat – Stilwell

Area – 577.3 Square Miles

County Population – 21,902 (2007 est.)

Farms – 1,202

Land in Farms – 249,280 Acres

Primary Source: Oklahoma Almanac 2009-2010

See independent auditor's report.

**ADAIR COUNTY OFFICIALS  
AND RESPONSIBILITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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**COUNTY ASSESSOR**

Rhonda Pritchett

The County Assessor has the responsibility to appraise and assess the real and personal property within the county for the purpose of ad valorem taxation. Also, the County Assessor is required to compute the ad valorem taxes due on all taxable property. The County Assessor appraises all the taxable real and personal property according to its fair cash value for which the property is actually being used as of January 1 of the taxable year at the percentages provided for in Article 10, § 8 of the Oklahoma Constitution.

The County Assessor is required to build and maintain permanent records of the taxable real property and tax exempt real property within the county. Information entered on each record includes the property's legal description, owner's name and address, and the homestead exemption status of the owner.

**COUNTY CLERK**

Carrie Philpott

The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

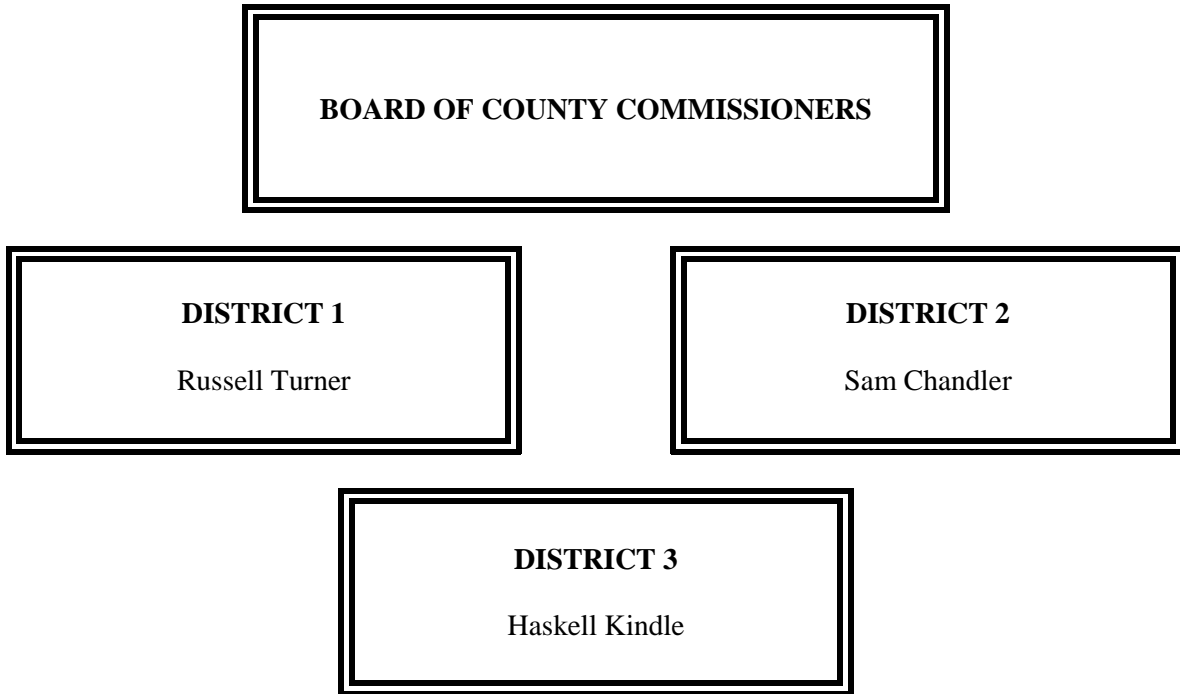
The County Clerk reviews all the claims for payment of goods and services purchased or contracted by the county, and prepares the proper warrants for payment of those goods and services and the county payroll. The County Clerk, or his or her designated deputy, serves as the purchasing agent for the county. This system is a means to ensure the public that tax dollars are being spent appropriately.

Various records within the different county offices are classified as "open records." As such, they can be reviewed and mechanically copied by the public.

See independent auditor's report.

**ADAIR COUNTY OFFICIALS  
AND RESPONSIBILITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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The Board of County Commissioners is the chief administrative body for the county. County Commissioners are also responsible for maintaining and constructing the county roads and bridges.

The Commissioners must act as a Board when entering into contracts or other agreements affecting the county's welfare. Thus, actions taken by the Board are voted on and approved by a majority of the Commissioners. The Board of County Commissioners' business meetings are open to the public.

As the county's chief administrative body, the three County Commissioners must make major financial decisions and transactions. The Board has the official duty to ensure the fiscal responsibility of the other county officers who handle county funds. The review and approval procedures empowered to the Board of County Commissioners are a means to provide the public with a fiscally efficient system of county government.

See independent auditor's report.



**ADAIR COUNTY OFFICIALS  
AND RESPONSIBILITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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**COUNTY SHERIFF**

James Austin Young

The County Sheriff is responsible for preserving the peace and protecting life and property within the county's jurisdiction. As the county's chief law enforcement officer, the Sheriff has the power and authority to suppress all unlawful disturbances, to apprehend and secure persons charged with felony or breach of peace, and to operate the county jail.

The County Sheriff has the responsibility of serving warrants and processing papers ordered by the District Court.

**COUNTY TREASURER**

Janice Brewer

All collections by county government from ad valorem taxes and other sources are deposited with the County Treasurer. The County Treasurer collects ad valorem taxes for the county and its political subdivisions. The County Treasurer is authorized to issue delinquent personal property tax warrants and to impose tax liens on real property for delinquent taxes.

To account for county collections and disbursements, the County Treasurer is required to maintain an accurate record of all the monies received and disbursed.

See independent auditor's report.

**ADAIR COUNTY OFFICIALS  
AND RESPONSIBILITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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**COURT CLERK**

Paula Sam McCarter

The Court Clerk has the primary responsibility to record, file, and maintain as permanent records the proceedings of the District Court.

Court proceedings are recorded in the appropriate journal or record docket. All the court proceedings are public information except those related to juvenile, guardianship, adoption, and mental health cases.

The Court Clerk issues marriage licenses, passports, notary certificates, beer and pool hall licenses, and private process server licenses.

Monies from the court fund are identified for distribution by the Court Clerk to the appropriate units of county and state government.

**DISTRICT ATTORNEY**

Jerry Moore

As the chief attorney for county government, the District Attorney acts as the legal advisor to the county officers on matters related to their duties. The District Attorney represents the county in civil litigation. County officials may call upon the District Attorney to clarify a law or request an official interpretation from the Attorney General.

See independent auditor's report.

**ADAIR COUNTY OFFICIALS  
AND RESPONSIBILITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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**ELECTION BOARD SECRETARY**

Marilyn Hill-Russell

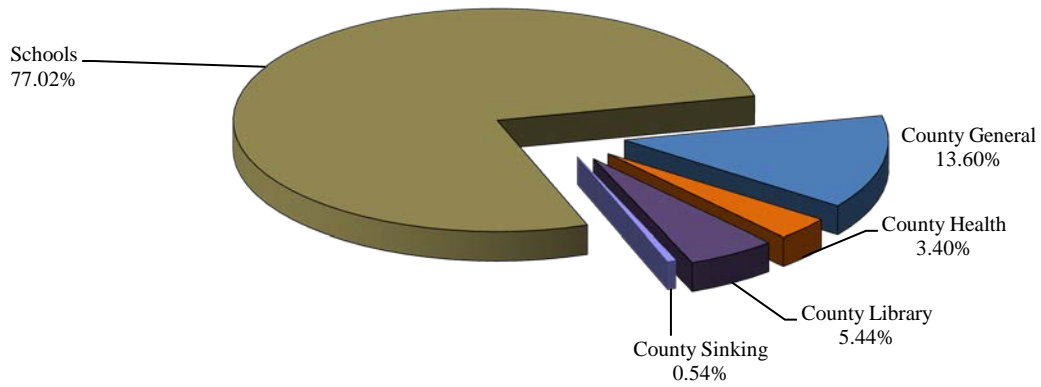
The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the county. The Board also conducts all elections held within the county.

To finance the operation of the County Election Board, the County Excise Board must appropriate sufficient funds annually. The state and counties split the election costs, but counties must pay for any county elections not held concurrently with state elections.

See independent auditor's report.

**ADAIR COUNTY, OKLAHOMA  
AD VALOREM TAX DISTRIBUTION  
SHARE OF THE AVERAGE MILLAGE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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.	Tech	Common	Total
County General	10.00								
County Health	2.50	Skelly	D-1	35.00	5.00		10.00	4.00	54.00
County Library	4.00	Watts	I-4	35.00	5.00		10.00	4.00	54.00
County Sinking	0.40	Westville	I-11	35.00	5.00		10.00	4.00	54.00
		Peavine	D-19	35.00	5.00		10.00	4.00	54.00
		Maryetta	D-22	35.00	5.00		10.00	4.00	54.00
		Rocky Mountain	D-24	35.00	5.00		10.00	4.00	54.00
		Stilwell	I-25	35.00	5.00	8.06	10.00	4.00	62.06
		Zion	D-28	35.00	5.00		10.00	4.00	54.00
		Dahlongah	D-29	35.00	5.00		10.00	4.00	54.00
		Cave Springs	I-30	35.00	5.00	4.45	10.00	4.00	58.45
		Greasy	D-32	35.00	5.00		10.00	4.00	54.00
		Bell	D-33	35.00	5.00		10.00	4.00	54.00
		Kansas	JT-3	37.06	5.29	16.52	11.45	4.18	74.50
		Moseley	JT-34	36.77	5.25		11.45	4.18	57.65

See independent auditor's report.

**ADAIR COUNTY, OKLAHOMA  
COMPUTATION OF LEGAL DEBT MARGIN  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(UNAUDITED)**

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Total net assessed value as of January 1, 2008		<u>\$ 74,193,608</u>
Debt limit - 5% of total assessed value		3,709,680
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	<u>2,081</u>	<u>-</u>
Legal debt margin		<u>\$ 3,709,680</u>

See independent auditor's report.

**ADAIR COUNTY, OKLAHOMA  
RATIO OF NET GENERAL BONDED DEBT TO ASSESSED  
VALUE AND NET BONDED DEBT PER CAPITA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(UNAUDITED)**

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	2009
Estimated population	21,902
Net assessed value as of January 1, 2008	\$ 74,193,608
Gross bonded debt	-
Less available sinking fund cash balance	2,081
Net bonded debt	\$ -
Ratio of net bonded debt to assessed value	0.00%
Net bonded debt per capita	\$ -

See independent auditor's report.

**ADAIR COUNTY, OKLAHOMA  
ASSESSED VALUE OF PROPERTY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(UNAUDITED)**

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<u>Valuation Date</u>	<u>Personal</u>	<u>Public Service</u>	<u>Real Estate</u>	<u>Homestead Exemption</u>	<u>Net Value</u>	<u>Estimated Fair Market Value</u>
1/1/2008	\$17,951,589	\$5,190,748	\$56,102,363	\$5,051,092	\$74,193,608	\$618,280,067

See independent auditor's report.

**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  
ADAIR COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Adair County, Oklahoma, as of and for the year ended June 30, 2009, listed in the table of contents as the basic financial statement. This financial statement is the responsibility of Adair County's management. Our responsibility is to express an opinion on this financial statement based on our audit.

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

As described in Note 1, this financial statement was prepared using accounting practices prescribed or permitted by Oklahoma state law, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Adair County as of June 30, 2009, or changes in its financial position for the year then ended.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash of Adair County, for the year ended June 30, 2009, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2012, on our consideration of Adair County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal

control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the combined total of all funds within the basic financial statement taken as a whole. The combining information is presented for purposes of additional analysis rather than to present the receipts, disbursements, and cash balances of the individual funds. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statement. The schedule of expenditures of federal awards has not been subjected to the auditing procedures applied in the audit of the basic financial statement because management lacks sufficient documentation to support the schedule of expenditures of federal awards for the Disaster Grants – Public Assistance (97.036), and, accordingly, we express no opinion on the schedule of expenditures of federal awards. The other supplementary information, as listed in the table of contents, which includes the combining information referred to above, is presented for purposes of additional analysis, and is not a required part of the basic financial statement. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statement taken as a whole. The information listed in the table of contents under Introductory Section has not been audited by us, and accordingly, we express no opinion on it.

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

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

November 13, 2012

## **Basic Financial Statement**

**ADAIR COUNTY, OKLAHOMA**  
**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND**  
**CHANGES IN CASH BALANCES**  
**(WITH COMBINING INFORMATION)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	Beginning Cash Balances July 1, 2008	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2009
Combining Information:				
County General Fund	\$ 658,324	\$ 1,197,237	\$ 1,244,148	\$ 611,413
Highway Cash	1,259,012	3,110,352	2,750,439	1,618,925
County Health	116,408	193,565	152,932	157,041
Sheriff Grant	1,179		1,179	
Resale Property	174,176	95,769	120,974	148,971
County Clerk Records Preservation	9,649	19,361	22,818	6,192
Sheriff Drug Fund	84	2,830	250	2,664
County Clerk Lien Fees	4,515	5,390	1,677	8,228
Adair County Community Sentencing Program	70,692	44,998	41,327	74,363
Department of Corrections Board of Prisoners	91,462	360,606	353,339	98,729
Sheriff Service Fees	27,472	155,549	68,537	114,484
Fair Board Cash	5,936	14,959	7,091	13,804
Treasurer Mortgage Fees	37,391	3,815	1,805	39,401
Assessor Cash - Visual Inspection	6,897	1,446	1,000	7,343
Community Development Block Grant		284,637	252,005	32,632
Sinking Fund	109	28,839	26,867	2,081
Fire Districts	367,141	236,298	209,370	394,069
Jail Operations	297,507	293,842	306,995	284,354
Great Grant	6,119		5,986	133
Sheriff Commissary		640		640
Jail Trust Authority	39,706	467,395	470,915	36,186
<b>Combined Total-All County Funds</b>	<u>\$ 3,173,779</u>	<u>\$ 6,517,528</u>	<u>\$ 6,039,654</u>	<u>\$ 3,651,653</u>

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

**ADAIR COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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**1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

Counties were created by the Constitution of Oklahoma. One county officer is appointed; however, most county officers are locally elected by their constituents. All county powers are delegated by the state.

The accompanying basic financial statement presents the receipts, disbursements, and changes in cash balances of the total of all funds of Adair County, Oklahoma. The financial statement referred to includes only the primary government of Adair County, Oklahoma, and does not include financial information for any of the primary government's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial information of the primary government. The funds presented as line items are not a part of the basic financial statement, but have been included as supplementary information within the basic financial statement. These separate funds are established by statute, and their operations are under the control of the County officials. 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. The other funds presented account for financial resources whose use is restricted for specified purposes.

**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 funds included as supplementary information within the financial statement:

County General Fund – revenues are from ad valorem taxes, officers' fees, interest earnings, and miscellaneous collections of the County. Disbursements are for the general operations of the County.

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

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

Sheriff Grant – revenues are from a federal grant and disbursements are for local law enforcement.

**ADAIR COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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Resale Property – revenues are from interest and penalties on delinquent ad valorem taxes. Disbursements are to offset the expense of collection delinquent ad valorem taxes.

County Clerk Records Preservation – revenues are from a fee charged by the County Clerk for recording instruments. Disbursements are for the maintenance and preservation of public records.

Sheriff Drug Fund – revenues are from the proceeds of forfeited property. Disbursements are for the enforcement of controlled dangerous substance laws.

County Clerk Lien Fees – revenues are from a fee charged by the County Clerk for filing liens. Disbursements are for any lawful expense of the County Clerk's Office.

Adair County Community Sentencing Program – revenues are from the State Department of Corrections to reimburse the County for the expense of administering the Community Service Sentencing Program.

Department of Corrections Board of Prisoners – revenues are from the Department of Corrections for the expense of boarding state prisoners in the county jail. Disbursements are for jail upkeep.

Sheriff Service Fees – revenues are from fees charged for serving summons and notices. Disbursements are for any lawful expense of the Sheriff's office.

Fair Board Cash – revenues are from the rental of fairground properties. Disbursements are for the expense of the County free fair.

Treasurer Mortgage Fees – revenues are from a fee for certifying mortgages. Disbursements are for any lawful expense of the Treasurer's office.

Assessor Cash – Visual Inspection – revenues are from fees charged to all entities receiving ad valorem taxes. Disbursements are for the re-valuation of all county property for ad valorem purposes.

Community Development Block Grant – revenues are from a grant for a water treatment process. Disbursements are for the building of the water treatment construction.

Sinking Fund – accounts for the collection of ad valorem taxes and interest earned for the payment of principal and interest of long term bonded debt and civil judgments against Adair County.

Fire Districts – revenues are from a county sales tax. Disbursements are for fire protection.

**ADAIR COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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Jail Operations – revenues are from the Jail Trust Authority contract for operating the jail. Disbursements are for jail operations.

Great Grant – revenues are from a federal grant. Disbursements are for officer to work in conjunction with Adair County Boys and Girls Club in assistance in the drug resistance and training program.

Sheriff Commissary – revenues are the profits earned on sale of commissary items. Disbursements are for the operation of the jail.

Jail Trust Authority – revenues are from a county sales tax. Disbursements are for the building and operation of a modern jail facility.

The County Treasurer collects and remits material amounts of intergovernmental revenues and ad valorem tax revenue for other budgetary entities, including cities and towns, county library, and school districts. 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.

**C. Basis of Accounting**

The basic 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 cash basis financial presentation is not a comprehensive measure of economic condition or changes therein.

**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.

For the highway funds and other funds, which are not required to adopt a formal budget, appropriations are made on a monthly basis, according to the funds then available.

**ADAIR COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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**E. Cash**

The County pools the cash of its various funds in maintaining its bank accounts. However, cash applicable to a particular fund is readily identifiable on the County's books. The balance in the pooled cash accounts is available to meet current operating requirements.

State statutes require financial institutions with which the County maintains funds to deposit collateral securities to secure the County's deposits. The amount of collateral securities to be 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).

**F. Investments**

The County Treasurer has been authorized by the County's governing board to make investments. By statute (62 O.S. § 348.1 and § 348.3), the following types of investments are allowed:

- U.S. Government obligations
- Certificates of deposit
- Savings accounts
- G.O. bonds issued by counties, municipalities or school districts
- Money judgments against counties, municipalities or school districts
- Bonds and revenue notes issued by a public trust when the beneficiary of the trust is a county, municipality or school district
- Negotiable certificates of deposit
- Prime bankers acceptance which are eligible for purchase by the Federal Reserve System
- Prime commercial paper with a maturity of 180 days or less
- Repurchase agreements
- Money market funds regulated by the Securities and Exchange Commission and which investments consist of the above-mentioned types of investments

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.

**G. Compensated Absences**

Sick leave benefits are accrued at the rate of 10 hours per month and employees may accumulate up to 130 days. Sick leave is not paid upon termination.

All full-time Adair County employees shall be entitled to annual leave that is accrued on a monthly basis in accordance with the schedule outlined below:



**ADAIR COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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Years of Service	Annual Leave
0-5 years	15 days (10 hours per month)
6-20 years	18 days (12 hours per month)
Over 20 years	20 days (13.33 hours per month)

Vacation must be earned before it is taken. No vacation will be longer than ten consecutive working days without permission of the appropriate elected official. Vacation schedules are subject to the elected official's approval. Employees must use any accumulated vacation by January 1. Accrued vacation time is paid upon separation.

**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."

The assessed property value as of January 1, 2008, was approximately \$74,193,608.

The County levied 10.00 mills (the legal maximum) for general fund operations, 2.5 mills for county health department, 4.0 mills for county library, and .40 mill for county sinking. In addition, the County collects the ad valorem taxes assessed by school districts and remits the ad valorem taxes collected to the appropriate taxing units.

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.

Unpaid delinquent personal property taxes are published usually in May. If the taxes are not paid within 30 days from publication, they shall be placed on the personal tax lien docket.

Current year tax collections for the year ended June 30, 2009, were approximately 91.35% percent of the tax levy.

**3. Fuel Tax**

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

**ADAIR COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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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.

**4. Risk Management**

ACCO-SIG – The County is exposed to the various risks of loss related to torts; theft, damage, or destruction of assets; errors or omissions; injuries to employees; or acts of God. The County participates in a public entity risk pool: Association of County Commissioners of Oklahoma-Self-Insurance-Group (ACCO-SIG). If claims exceed the authorized deductibles, the County could have to pay its share of the pool deficit. A judgment could be assessed for claims in excess of the pool’s limits.

OPEH&WP- The County has entered into an interlocal agreement with other governmental entities to participate in a pooled self-insurance fund to provide insurance coverage. The pool provides for surcharges to be assessed for claims in excess of pool assets to offset pool deficits. Settled claims have not exceeded insurance coverage for each of the past three fiscal years. There have been no significant reductions in coverage from the prior fiscal year.

**5. Long-term Obligations**

**Capital Leases**

The County acquires road machinery and equipment through lease-purchase agreements financed by the Oklahoma Department of Transportation and/or the equipment vendors or their assignees pursuant to the provisions of 69 O.S. § 636.1 through § 636.7. Lease agreements entered into with the Oklahoma Department of Transportation (ODOT) are interest free, but have a one-time fee of 3% on all pieces of machinery acquired.

**Bank Loan**

The County obtained a loan on May 2, 2005, for a Motor Grader. The loan terms are for 72 monthly payments of \$1,961.99, with the first payment beginning on June 2, 2005. The loan has a fixed interest rate of 4.35% for the term of the loan. In addition, there was a \$617.50 origination fee assessed.

**Judgment**

The County had a judgment which was being retired by a tax levy. The County was obligated to pay the judgment over a three-year period.

Case Number  
CV-2006-043

Original Judgment  
\$75,000

**ADAIR COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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During the year ended June 30, 2009, the County paid \$25,000 principal and \$1,867 interest on this judgment, which was the final payment on the judgment.

A judgment was awarded against the County had a judgment in the amount of \$56,394.91. Pursuant to the judgment, the amount awarded was to be paid from the County General Fund Budget for the 2008-2009 fiscal year. Monies were set out in the budget year's estimate of needs and approved by the County Excise Board.

<u>Case Number</u>	<u>Original Judgment</u>
C-99-63	\$56,394.91

During the year ended June 30, 2009, the County paid the judgment of \$56,394.91 from the General Fund.

**6. 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.

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.

2.5% Step-Up. Members have the option to increase the benefit computation factor for all future service from 2.0% to 2.5%. The election is irrevocable, binding for all future employment under OPERS, and applies only to full years of service.

**7. 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.

**ADAIR COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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**8. 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.

**9. Sales Tax**

On September 17, 1996, Adair County voters approved a permanent sales tax of one-half of one percent (0.5%). The sole purpose of this sales tax is for the construction, maintenance, and operation of the Adair County Jail Trust Authority and its facilities.

On March 6, 2001, Adair County voters approved a permanent sales tax of one-quarter of one percent (0.25%). The purpose of this tax is to provide funds for fire departments in Adair County.

**OTHER SUPPLEMENTARY INFORMATION**

**ADAIR 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, 2009**

	County General Fund		
	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 658,309	\$ 658,324	\$ 15
Less: Prior Year Outstanding Warrants	(77,530)	(77,515)	15
Less: Prior Year Encumbrances	(17,242)	(16,515)	727
Beginning Cash Balances, Budgetary Basis	<u>563,537</u>	<u>564,294</u>	<u>757</u>
Receipts:			
Ad Valorem Taxes	674,487	729,450	54,963
Charges for Services	65,834	54,463	(11,371)
Intergovernmental Revenues	265,378	286,429	21,051
Miscellaneous Revenues	134,407	126,895	(7,512)
Total Receipts, Budgetary Basis	<u>1,140,106</u>	<u>1,197,237</u>	<u>57,131</u>
Expenditures:			
County Sheriff	269,644	268,217	1,427
County Treasurer	48,437	48,423	14
County Commissioners	404,834	51,208	353,626
OSU Extension	19,328	19,280	48
County Clerk	103,061	103,049	12
Court Clerk	72,200	72,200	
County Assessor	45,138	45,138	
Revaluation of Real Property	240,777	226,684	14,093
General Government	72,865	47,932	24,933
Excise Equalization Board	2,700	2,514	186
County Election Board	66,062	62,389	3,673
Insurance	248,651	208,850	39,801
County Purchasing Agent	26,251	26,251	
County Audit Budget	21,000	14,505	6,495
Free Fair	3,000	3,000	

continued on next page

The accompanying notes to the other supplementary information are an integral part of this schedule.  
See independent auditor's report.

**ADAIR 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, 2009**

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continued from previous page

	Final Budget	Actual	Variance
Budget Maker	3,000	3,000	
Tax Refund Settlement	56,395	56,395	
Provision for Interest on Warrants	300		300
Total Expenditures, Budgetary Basis	1,703,643	1,259,035	444,608
 Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	502,496	\$ 502,496
 Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		77,886	
Add: Current Year Encumbrances		31,031	
Ending Cash Balance		\$ 611,413	

The accompanying notes to the other supplementary information are an integral part of this schedule.  
See independent auditor's report.

**ADAIR 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, 2009**

	County Health Department Fund		
	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 116,408	\$ 116,408	\$ -
Less: Prior Year Outstanding Warrants	(1,796)	(1,796)	
Less: Prior Year Encumbrances	(8,659)	(8,315)	344
Beginning Cash Balances, Budgetary Basis	105,953	106,297	344
Receipts:			
Ad Valorem Taxes	168,563	186,696	18,133
Miscellaneous Revenues	6,869	6,869	
Total Receipts, Budgetary Basis	175,432	193,565	18,133
Expenditures:			
Health and Welfare	281,385	162,368	119,017
Total Expenditures, Budgetary Basis	281,385	162,368	119,017
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	137,494	\$ 137,494
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		9,739	
Add: Current Year Encumbrances		9,808	
Ending Cash Balance		\$ 157,041	

The accompanying notes to the other supplementary information are an integral part of this schedule. See independent auditor's report.



**ADAIR COUNTY, OKLAHOMA  
DETAILED SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN CASH BALANCES—SINKING FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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Beginning Cash Balance	<u>\$ 109</u>
Receipts:	
Ad Valorem	<u>28,839</u>
Total Receipts	<u>28,839</u>
Disbursements:	
Judgments	25,000
Interest	<u>1,867</u>
Total Disbursements	<u>26,867</u>
Ending Cash Balance	<u>\$ 2,081</u>

The accompanying notes to the other supplementary information are an integral part of this schedule.  
See independent auditor's report.

**ADAIR COUNTY, OKLAHOMA  
NOTES TO OTHER SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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**1. Budgetary Schedules**

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

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

**2. Sinking Fund Schedule**

Debt service 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.

**ADAIR COUNTY, OKLAHOMA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
Passed Through Oklahoma Department of Commerce:			
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228		\$ 284,637
Total U.S. Department of Housing and Urban Development			<u>284,637</u>
<b>U.S. DEPARTMENT OF JUSTICE</b>			
Passed Through Oklahoma Office of Juvenile Affairs:			
Youth Gang Prevention	16.544		4,779
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580		1,179
Total U.S. Department of Justice			<u>5,958</u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>			
Passed Through Oklahoma Department of Emergency Management:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR 1754	611,503
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR 1823	345,046
Total U.S. Department of Homeland Security			<u>956,549</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 1,247,144</u>

The accompanying note is an integral part of this schedule.  
See independent auditor's report.

**ADAIR COUNTY, OKLAHOMA  
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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Basis of Presentation

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

See independent auditor's report.

**INTERNAL CONTROL AND COMPLIANCE SECTION**



# Oklahoma State Auditor & Inspector

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

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

TO THE OFFICERS OF  
ADAIR COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Adair County, Oklahoma, as of and for the year ended June 30, 2009, which comprises Adair County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated November 13, 2012. Our report on the basic financial statement was adverse because the statement is not a presentation in conformity with accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in internal control described in the accompanying schedule of findings and questioned costs to be material weaknesses in internal control over financial reporting. 2009-5, 2009-7, and 2009-9.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting, 2009-1, 2009-2, 2009-3, 2009-4, 2009-6, 2009-8, and 2009-19.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Adair County's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2009-6, 2009-9, and 2009-21.

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

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

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



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

November 13, 2012



# Oklahoma State Auditor & Inspector

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

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

TO THE OFFICERS OF  
ADAIR COUNTY, OKLAHOMA

### Compliance

We were engaged to audit the compliance of Adair County, Oklahoma, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended June 30, 2009. Adair County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of Adair County's management.

As described in item 2009-11, in the accompanying schedule of findings and questioned costs, Adair County did not comply with relevant OMB Circular A-133 Compliance Requirements to its Disaster Grants – Public Assistance (97.036). Adair County did not maintain documentation to support costs charged to the program: the County was unable to support the work performed with detailed documentation which should have included purchase orders, invoices and transfer documents to verify materials used; timesheets for the labor charged to the project; and a record of equipment usage. Without the detailed supporting documentation, there was no assurance that the work had been completed or that expenditures were expended in accordance with federal compliance requirements.

We were unable to obtain sufficient documentation supporting the compliance of Adair County with the relevant OMB Circular A-133 Compliance Requirements for the program *Disaster Grants – Public Assistance (97.036)*, nor were we able to satisfy ourselves as to Adair County's compliance with those requirements by other auditing procedures. The scope of our work was not sufficient to enable us to express, and we do not express, an opinion on Adair County's compliance with requirements described in the OMB Circular A-133 Compliance Supplement that are applicable to its major federal program.

### Internal Control Over Compliance

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



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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2009-11 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs, as item 2009-10 to be a significant deficiency.

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

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



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

November 13, 2012

**ADAIR COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

Financial Statements

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

Internal control over financial reporting:

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

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

Federal Awards

Internal control over major programs:

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

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

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

Identification of Major Programs

CFDA Number(s)  
97.036

Name of Federal Program or Cluster  
Disaster Grants - Public Assistance  
(Presidentially Declared Disasters)

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

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

**ADAIR COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

**Finding 2009-1—Disaster Recovery Plans and Inactivity of Computers (Repeat Finding)**

**Condition:** The County Treasurer does not have a written Disaster Recovery Plan and the County Clerk's Disaster Recovery Plan has not been updated since 2002. It was also noted that the computers in the County Treasurer and County Clerk's office do not log-off after periods of inactivity, nor do the employees log-off when away from their desks.

**Cause of Condition:** Procedures have not been designed to develop and implement a Disaster Recovery Plan and policies and security for the appropriate use of county computer equipment.

**Effect of Condition:** The failure to have a formal Disaster Recovery Plan could result in the County being unable to function in the event of a disaster. Without an IT security policy in place, the County Treasurer's office is at risk of a loss of financial and taxpayer data as well as a risk for misappropriation of county funds.

**Recommendation:** OSAI recommends the County Treasurer and County Clerk develops a current Disaster Recovery Plan and maintain a copy offsite. OSAI further recommends that computers are set to require a password to sign into after a period of inactivity, set to expire and change after a given period of time.

**Management Response:**

**County Clerk:** A Disaster Plan has been implemented. Staff has been instructed on proper protocol in the event of a disaster. Our office now has back-up data stored off premises.

**County Treasurer:** A Disaster Recovery Plan will be implemented and staff instructed as to proper protocol in the event of a disaster. Back-up data is stored off-site.

**Criteria:** According to the standards of the Information Systems Audit and Control Association's (COBIT Delivery & Support 4.3), management should ensure that a written Disaster Recovery Plan is documented and contains the following:

- Guidelines on how to use the Recovery Plan,
- Emergency procedures to ensure the safety of all affected staff members,
- Roles and responsibilities of information services function, vendors providing recovery services, users of services and support administrative personnel,
- Listing of systems requiring alternatives (hardware, peripherals, software),
- Listing of highest to lowest priority applications, required recovery times and expected performance norms,

**ADAIR COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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- Various recovery scenarios from minor to loss of total capability and response to each in sufficient detail for step-by-step execution,
- Specific equipment and supply needs are identified such as high speed printers, signatures, forms, communications equipment, telephones, etc. and a source and alternative source defined,
- Training and/or awareness of individual and group roles in continuity plan,
- Listing of contracted service providers,
- Logistical information on location of key resources, including back-up site for recovery operating system, applications, data files, operating manuals and program/system/user documentation,
- Current names, addresses, telephone/pager numbers of key personnel,
- Business resumption alternatives for all users for establishing alternative work locations once IT resources are available.

According to the standards of the Information Systems Audit and Control Association (CobiT 4.1, Delivery and Support, 5.3 Identity Management), information services function management should ensure that all users (internal, external, and temporary) and their activity on IT systems (business application, IT environment, system operations, development, and maintenance) are uniquely identifiable. Enable user identities via authentication mechanisms. Confirm that user access rights to systems and data are in line with defined and documented business needs and that job requirements are attached to user identities. Ensure that user access rights are requested by user management, approved by system owners and implemented by the security-responsible person. Maintain user identities and access rights in a central repository. Deploy cost-effective technical and procedural measures, and keep them current to establish user identification, implement authentication and enforce access rights.

**Finding 2009-2—Footnote Disclosures (Repeat Finding)**

**Condition:** Internal controls have not been developed to ensure all required disclosures are presented with the financial statement.

**Cause of Condition:** Procedures have not been designed to prepare the accompanying notes to the financial statements.

**Effect of Condition:** The potential exists for misstatements to go undetected, specifically for the completeness of financial statement disclosures.

**Recommendation:** OSAI recommends the County consider one or more of the following controls:

- Having at least one staff member with sufficient skills necessary to understand the application of accounting principles in regards to the preparation of footnote disclosures.
- Contract an outside firm or individual to review or prepare the accompanying notes to the financial statements to ensure appropriate disclosures are presented.

**Management Response:** Procedures will be implemented to prepare and approve the accompanying notes to the financial statements.

**ADAIR COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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**Criteria:** The County’s management is responsible for establishing internal control procedures to prevent or detect misstatements in a timely manner. Statement on Auditing Standards (SAS) No. 115 indicates that a control deficiency exists when management does not have adequate expertise to apply accounting principles to the financial statements or to review financial statements prepared on their behalf by others, to ensure they are prepared in accordance with these principles. Professional audit standards preclude the external financial statement auditor from performing any part of management’s control activities or be a component of the internal controls over financial reporting as this would impair their independence.

**Finding 2009-3—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:** OSAI recommends the County design procedures to identify and address risks. OSAI also recommends 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.

Examples of risks and procedures to address risk management:

<b>Risks</b>	<b>Procedures</b>
Fraudulent activity	Segregation of duties
Information lost to computer crashes	Daily backups of information
Noncompliance with laws	Attend workshops
Natural disasters	Written disaster recovery plans
New employee errors	Training, attending workshops, monitoring

Examples of activities and procedures to address monitoring:

<b>Monitoring</b>	<b>Procedures</b>
Communication between officers	Periodic meetings to address items that should be included in the handbook and to determine if the County is meeting its goals and objectives.
Annual Financial Statement	Review the financial statement of the County for accuracy and completeness.
Schedule of Expenditures of Federal Awards (SEFA)	Review the SEFA of the County for accuracy and to determine all federal awards are presented.
Audit findings	Determine audit findings are corrected.

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Financial status	Periodically review budgeted amounts to actual amounts and resolve unexplained variances.
Policies and procedures	Ensure employees understand expectations in meeting the goals of the County.
Following up on complaints	Determine source of complaint and course of action for resolution.
Estimate of needs	Work together to ensure this financial document is accurate and complete.

**Management Response:** The Board of County Commissioners will work together with all County officials to develop a plan to monitor the County’s internal controls to ensure that audit findings and other reviews are properly resolved. The Board of County Commissioners will strive to make risk assessment and monitoring a priority in Adair County.

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

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, 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.

**Finding 2009-4—Bank Reconciliations (Repeat Finding)**

**Condition:** The Employee Taxes (EPTPS) bank account in the County’s name and tax identification number were not accounted for on the Treasurer’s General Ledger. We also noted that bank reconciliations were not performed for this account.

**Cause of Condition:** Procedures have not been designed to ensure all accounts are reconciled, approved, and on the General Ledger.

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

**Recommendation:** OSAI recommends all accounts be reconciled on a monthly basis and in a timely manner and that the Treasurer ensures that all bank reconciliations reflect an indication of review that they are approved by someone other than the preparer. Also, the Federal Tax Account should be included on the General Ledger.

**Management Response:**

**County Treasurer:** The EFTPS account is now recorded on the General Ledger and reconciled with the bank each month.

**Criteria:** To help ensure a proper accounting of funds, all bank accounts identified with the County's tax identification number should be included on the General Ledger. Bank reconciliations should be performed on a monthly basis and approved by someone other than the preparer and include an indication of review.

**Finding 2009-5— Segregation of Duties (Repeat Finding)**

**Condition:** A lack of segregation of duties exists in the following offices:

- The County Treasurer's office has one deputy who issues receipts, balances the cash drawer, prepares the deposit, posts daily receipts to the daily reports and General Ledger, prepares the monthly reports, and reconciles the bank accounts.
- The County Clerk's office has one deputy who issues receipts, balances the cash drawer, prepares the deposit, posts daily receipts to the daily reports, and prepares the monthly reports.

**Cause of Condition:** Procedures have not been designed to adequately segregate the duties within the offices.

**Effect of Condition:** These conditions 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 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 with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office and having management review and approval of accounting functions.

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**Management Response:**

**County Clerk:** I have segregated the duties of receipting and depositing. The personnel that are receiving funds are not also depositing the funds.

**County Treasurer:** Due to limited staff some duties overlap, but more diligence will be used to ensure that duties of receipting and depositing are segregated.

**Criteria:** 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 2009-6—Unsecured Deposits (Repeat Finding)**

**Condition:** During the months of December 2008 and January 2009, the County had unsecured deposits of \$182,594.64 and \$229,310.13, respectively.

**Cause of Condition:** The County relied upon the banks to ensure deposits were secured with pledged collateral. Procedures have not been designed to ensure county funds are safeguarded against loss.

**Effect of Condition:** This condition could result in the possible loss of county funds.

**Recommendation:** OSAI recommends management establish policies and procedures to periodically compare the amount of pledged collateral to amounts deposited, to ensure pledges are adequate and all deposits are secured.

**Management Response:**

**County Treasurer:** Depository banks are now updating the current market values of their pledged collateral on the 25th of each month and are aware of the heavy collections at the end of each month.

**Criteria:** Title 62 O.S. § 517.4.A states:

A treasurer of a public entity shall require that financial institutions deposit collateral securities or instruments to secure the deposits of the public entity in each such institution. The amount of collateral securities or instruments to be pledged for the security of public deposits shall be established by the treasurer of the public entity consistent with the provisions of the Security for Local Public Deposits Act; provided, such amount shall not be less than the amount of the deposit to be secured, less the amount insured.

Accountability and stewardship are overall goals of management in the accounting of funds. An important aspect of internal controls is the safeguarding of assets. Internal controls over safeguarding of assets constitute a process, affected by an entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from misappropriation.



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**Finding 2009-7—Segregation of Duties – Payroll (Repeat Finding)**

**Condition:** A lack of segregation of duties exists in the County Clerk’s office because one person enrolls new employees, maintains personnel files, reviews the payroll claims, calculates amounts to be paid to the employees and payroll related agencies, updates the master payroll file, issues and prints payroll warrants, prepares OPERS reports and state and federal tax reports, and removes terminated employees from the system.

**Cause of Condition:** Procedures have not been designed to adequately segregate the duties within the payroll department.

**Effect of Condition:** These conditions could result in unrecorded transactions, misappropriation of funds, or clerical errors that are not detected in a timely manner.

**Recommendation:** OSAI recommends that 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 with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office, and having management review and approval of accounting functions.

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

- Enrolling new employees and maintaining personnel files.
- Reviewing time records and preparing payroll.
- Distributing payroll warrants to individual.

**Management Response:**

**County Clerk:** The lack of segregation of duties will be looked into as soon as more employees are employed.

**Criteria:** Procedures 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 2009-8—Cash Receipts (Repeat Finding)**

**Condition:** A review of the receipting process in the Sheriff’s office revealed the following:

- Receipts are not issued for all collections.
- Collections are not deposited daily.
- Cash bonds received for inmates are not timely remitted to the Court Clerk.
- Some cash receipts are not deposited, but held in the Sheriff’s office for disbursement from a “petty cash fund.”

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**Cause of Condition:** Procedures have not been designed to ensure all collections are receipted and deposited daily.

**Effect of Condition:** By not issuing a pre-numbered receipt and depositing collections daily, the possibility of loss or misappropriation of funds increases.

**Recommendation:** OSAI recommends pre-numbered receipts be issued for all collections at the time monies are received. All collections should be deposited daily with the County Treasurer.

**Management Response:**

**County Sheriff:** Pre-numbered receipt books are kept separate for our office, jail, and commissary. Collections are not deposited daily but new procedures are being created to ensure daily deposits. Vouchers are now being issued to the Court Clerk in a timely manner. The petty cash box has been dissolved.

**Criteria:** Statutory control procedures have been established for the receipting and depositing of collections.

Title 28 O.S. § 9 states:

Every officer charging fees shall give a receipt therefor.

Title 19 O. S. § 682 states in part:

It shall be the duty of each and every county officer, county board, county commission and all members and employees of either thereof, to deposit daily in the official depository designated in Section 681 of this title, all monies, checks, drafts, orders, vouchers, funds, rentals, penalties, costs, proceeds of sale property, fees, fines, forfeitures, and public charges of every kind received or collected by virtue or under color of office.

Accountability and stewardship are overall goals of management in the accounting of funds. An important aspect of internal controls is the safeguarding of assets. Internal controls over safeguarding of assets constitute a process, affected by an entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from misappropriation.

**Finding 2009-9— Jail Trust Authority Sales Tax (Repeat Finding)**

**Condition:** On a monthly basis, sales tax was apportioned according to the sales tax ballots, with 1/2 of the one cent sales tax going to the Adair County Jail Trust Authority. All sales tax collections apportioned to the Jail Trust Authority were transferred via Treasurer's check into the Jail Trust Authority bank account. No purchase orders were used for these expenditures. As a result, disbursements were understated \$470,915 on the preliminary draft of the County's financial statement.

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**Cause of Condition:** Procedures have not been established or implemented to ensure the County's sales tax collections and expenditures are in compliance with state statutes.

**Effect of Condition:** By failing to accurately account for sales tax disbursements on the County's financial statements and ensuring that County sales tax is expended using the proper procedures and in the appropriate amounts, the County increased the risk for misappropriation of assets and understated the disbursements on the financial statement.

**Recommendation:** OSAI recommends management establish procedures to oversee and ensure sales tax disbursements are recorded accurately on the County's financial statements and all sales tax expenditures are issued by purchase order, are supported by adequate documentation and reviewed for accuracy, and warrants are for the proper amounts.

**Management Response:** Purchase orders are now required for monthly transfers of sales tax monies for the Jail Trust Authority.

**Criteria:** Title 68 O.S. § 1370.E states in part:

... the proceeds of any sales tax levied by a county shall be deposited in the general revenue or sales tax revolving fund of the county and shall be used only for the purpose for which such sales tax was designated.

Accountability and stewardship are overall goals of management in the accounting of funds. An important aspect of internal controls is the safeguarding of assets. Internal controls over safeguarding of assets constitute a process, affected by an entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from misappropriation.

**Finding 2009-19—Loan (Repeat Finding)**

**Condition:** The County, instead of the vendor obtaining the financing, entered into a loan agreement with a local bank for the purchase of a John Deere Grader.

**Cause of Condition:** Procedures have not been designed to ensure vendors obtain financing instead of the County for lease purchases.

**Effect of Condition:** The County became indebted without a vote of the people.

**Recommendation:** OSAI recommends that any financing obligations be obtained in compliance with state laws.

**Management Response:** The Board of County Commissioners approved an amendment to the lease agreement to rectify the problem. The grader was paid off on the May 5, 2010.

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**Criteria:** Counties may not become indebted, in any manner, or for any purpose, to an amount exceeding, in any year, the income and revenue provided for such year without the assent of three-fifths of the voters thereof, voting at an election, to be held for that purpose. However, lease-purchase arrangements are allowed whenever the vendor obtains the financing, rather than the County.

**Finding 2009-21 - Oklahoma Public Employees Retirement System (OPERS) (Repeat Finding)**

**Condition:** There were 39 employees who were either never enrolled into OPERS or were not enrolled the following month after their hire date. The positions in the Sheriff's department are all considered permanent, but employees must be employed for six months before the County enrolls them in OPERS.

**Cause of Condition:** Procedures have not been designed to ensure all eligible employees are enrolled in OPERS benefits.

**Effect of Condition:** All eligible employees may not have been participating in the pension plan. This could result in a possible liability to the County.

**Recommendation:** OSAI recommends the County contact OPERS to determine the date these employees should have been enrolled in OPERS and to determine the amount of retirement benefits that should be remitted to OPERS.

**Management Response:** County officials will implement procedures to ensure all eligible employees are enrolled in OPERS benefits in accordance with OPERS guidelines.

**Criteria:** Title 74 O.S. § 925 states:

All employees of participating employers who are eligible or may hereafter become eligible to be members of the system as provided by this act shall, as a condition of continuing employment or as a condition of obtaining employment with a participating employer, become members of the system.

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

**Finding 2009-10 – Schedule of Expenditures of Federal Awards**

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

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

**CFDA NO:** 97.036

**FEDERAL PROGRAM NAME:** Disaster Grants - Public Assistance (Presidentially Declared Disasters)

**FEDERAL AWARD NUMBER:** 1754 and 1823

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**FEDERAL AWARD YEAR:** 2009

**CONTROL CATEGORY:** Activities Allowed/Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching Level of Effort/Earmarking; Period of Availability; Procurement, Suspension and Debarment; and Special Tests and Provisions

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

**Condition:** The County has not designed and implemented procedures for the reporting of its federal programs as required by *OMB Circular A-133*. Also, the County has not designed an accounting system or year-end process to accumulate and report its “in-kind” labor and equipment charges reported on the Schedule of Expenditures of Federal Awards.

**Cause of Condition:** Coordination of federal awards did not occur to ensure proper reporting, adequate internal controls, and compliance with federal requirements.

**Effect of Condition:** The County was unable to identify the amount of federal expenditures during the fiscal year. This condition could result in misstatements on the Schedule of Expenditures of Federal Awards.

**Recommendation:** OSAI recommends the County establish internal controls to ensure all federal awards are properly accounted for and reported on the Schedule of Expenditures of Federal Awards.

**Management Response:** County officials will work together to implement internal controls over federal compliance requirements.

**Criteria:** The County’s management is responsible for establishing internal control procedures to prevent or detect misstatements in a timely manner. This includes preparation of the Schedule of Expenditures of Federal Awards (SEFA) and accompanying notes to the SEFA. Professional audit standards indicate that the external financial statement auditor cannot perform any part of management’s control activities or be a component of the internal controls over financial reporting as this would impair their independence.

Further, *OMB 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.

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**Finding 2009-11 – Documentation of Federal Expenditures – FEMA Files**

**PASS-THROUGH GRANTOR:** Oklahoma Department of Emergency Management  
**FEDERAL AGENCY:** United States Department of Homeland Security  
**CFDA NO:** 97.036  
**FEDERAL PROGRAM NAME:** Disaster Grants - Public Assistance (Presidentially Declared Disasters)  
**FEDERAL AWARD NUMBER:** 1754  
**FEDERAL AWARD YEAR:** 2009  
**CONTROL CATEGORY:** Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort, Earmarking; Period of Availability of Federal Funds; and Procurement and Suspension and Debarment  
**QUESTIONED COSTS:** \$284,285.80

**Condition:** Districts 1, 2, and 3 were unable to provide adequate documentation to support the federal monies disbursed on disaster 1754.

<u>District</u>	<u>Questioned Costs</u>	
	<u>Disaster 1754</u>	<u>Total by District</u>
<b>District 1</b>	\$ 2,609.20	\$ 2,609.20
<b>District 2</b>	81,872.82	81,872.82
<b>District 3</b>	<u>199,803.78</u>	<u>199,803.78</u>
<b>Total</b>	<u>\$284,285.80</u>	<u>\$284,285.80</u>

**Cause of Condition:** The County has not designed procedures to comply with OMB Circular A-133, which requires the County to maintain documentation of all expenditures of federal funds.

**Effect of Condition:** The County did not comply with OMB Circular A-133. Because documentation was not maintained to support expenditures, OSAI could not issue an opinion regarding compliance with grant requirements.

**Recommendation:** OSAI recommends that FEMA files be maintained for each FEMA project to provide evidence that the auditee is properly managing the federal awards and is in compliance with OMB Circular A-133's Compliance Requirements and OMB Circular A-87.

**Management Response:**

**District 2 County Commissioner:** Proper documentation was provided for FEMA Disaster 1823; however, for Disaster 1754, some of the files were not placed in the correct file when the auditor was here conducting the audit. This was a record keeping error on our part. The previous Commissioner for District 3 did not keep any records for the current Commissioner. We have corrected our record keeping system and do not see this as an issue in the future. This has been proven with the 2010 audit.

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**Criteria:** OMB Circular A-87 C.1.j. states:

1. Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria:
  - j. Be adequately documented.

OMB Circular A-133 §\_\_\_.300 states that the auditee shall:

Identify, in its accounts, all Federal awards received and expended and the Federal programs under which they are received. 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.

OMB Circular A-133 §\_\_\_.310 states in part:

The auditee shall also prepare a Schedule of Expenditures of Federal Awards for the period covered by the auditee's financial statements...the schedule shall:

- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule.

FEMA Public Assistance Guide; Chapter 5, page 137, Project Management, Record Keeping states in part:

It is critical that the applicant establish and maintain accurate records of events and expenditures related to disaster recovery work... This information should include the completed PW; completed Special Consideration Questions form; estimated and actual costs; force account labor; force account equipment, materials, and purchases; photographs of damage, work underway, and work completed; insurance information; environmental and/or historic alternatives and hazard mitigation opportunities considered; environmental review documents; receipt and disbursement documents; and record of donated goods and services, if any.

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

**Finding 2009-16—Inmate Trust and Commissary Funds (Repeat Finding)**

**Condition:** An examination of the inmate trust account revealed the following exceptions:

- Inmate trust receipts were issued from the same book as the receipts for concealed weapons, fingerprinting, background checks, rent, shotguns, and bonds.

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- Deposits were not made daily.
- There were no ledgers with balances, deposits or withdrawals for the inmate trust funds.
- Bank statements were not reconciled.
- There were no recorded disbursements in December 2008 and June 2009.
- Voided checks were not defaced and retained.
- No commissary fund was established until February 2009.
- Contract with the commissary vendor expired in September 2008 and had not been renewed.
- No annual report was filed with the Board of County Commissioners.
- A lack of segregation of duties exists because one deputy issues receipts, enters information into the system, prepares and takes deposits to the bank, and prepares bank reconciliations which are not approved.

**Cause of Condition:** Procedures have not been designed to adequately account for inmate trust funds.

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

**Recommendation:** OSAI recommends the following:

- Receipts should be issued for all collections.
- Deposits should be made daily.
- Ledgers should be maintained with balances, deposits or withdrawals for the inmate trust funds.
- All voided checks should be marked voided and retained.
- Reconciliations should be performed monthly on the inmate trust account and should be reviewed and approved by someone other than the preparer.
- Duties should be adequately segregated.
- Contract with the commissary vendor should be renewed each fiscal year.
- An annual report should be filed with the Board of County Commissioners.

**Management Response:**

**County Sheriff:** Inmate funds are collected and receipted in separate pre-numbered books. Procedures are being created to insure deposits are done daily and all records are being kept in the Tiger Commissary program. Bank statements are being reconciled through this program. Voided checks are being kept in a separate file and only one account is maintained. All profit is being deposited into the Sheriff's account on a monthly basis. Procedures are also being created to insure internal audits are being done. Annual reports are being done and will be filed with the Board of County Commissioners.

Furthermore, we are getting a new Sheriff for 2013 and I am working diligently with him to make sure he is aware of these issues and that he addresses them with new procedures.

**Criteria:** To help ensure a proper accounting of funds, receipts should be pre-numbered, issued in sequential order and deposited daily. Bank reconciliations should be performed monthly and reviewed by



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someone other than the preparer. All voided checks should be defaced and retained. Duties should be adequately segregated. Contract with the commissary vendor should be renewed annually and approved by the Board of County Commissioners. Also, an annual commissary report must be filed with the Board of County Commissioners by January 15<sup>th</sup> of every year.

**Finding 2009-20 - Consumables (Repeat Finding)**

**Condition:** Upon inquiry and observation, OSAI noted in District 3, consumable stock cards and transfer documents are not being used.

**Cause of Condition:** Procedures have not been designed to ensure the County's consumable inventories are accounted for properly.

**Effect of Condition:** Failure to maintain accurate records of consumable inventories could result in inaccurate records, unauthorized use of consumable inventories, or misappropriation of consumable inventories.

**Recommendation:** OSAI recommends consumable records be accurately maintained, physical counts of consumable items be performed every six months, and a record of such be maintained.

**Management Response:**

**County Commissioner District 3:** This was prior to my appointment to office as County Commissioner.

**Criteria:** To ensure proper accounting of consumable assets, consumable item records should be accurately maintained, updated in a timely manner, and reconciled to physical count.



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