

COUNTY AUDIT

COAL COUNTY

For the fiscal year ended June 30, 2010



*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

**COAL COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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Oklahoma State Auditor & Inspector

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March 6, 2012

TO THE CITIZENS OF
COAL COUNTY, OKLAHOMA

Transmitted herewith is the audit of Coal County, Oklahoma for the fiscal year ended June 30, 2010. 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, reading "Gary A. Jones".

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

**COAL COUNTY, OKLAHOMA
FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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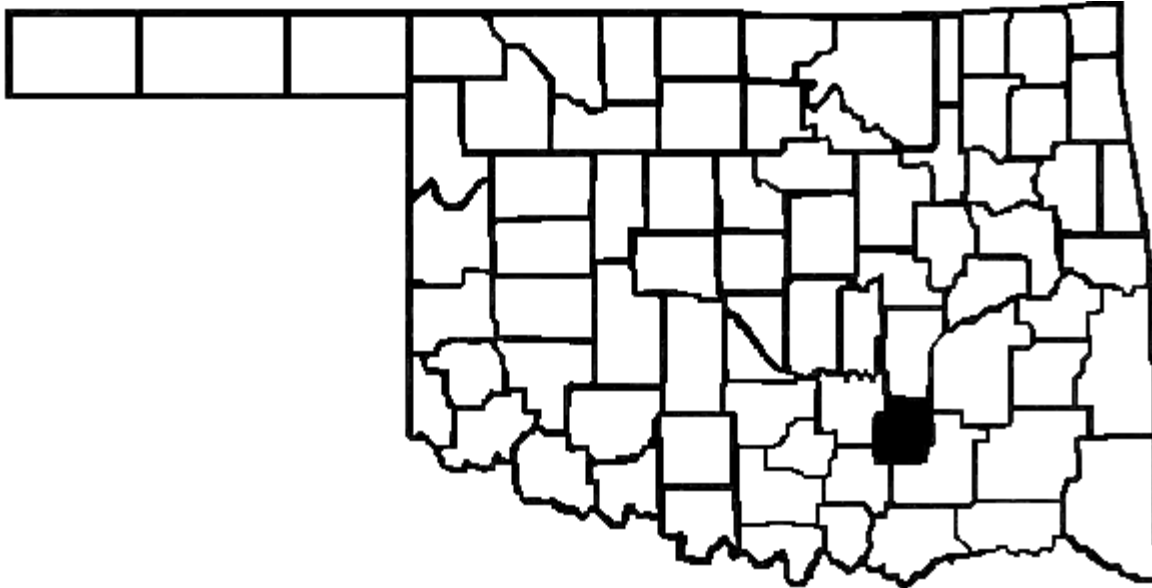
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**COAL COUNTY, OKLAHOMA
FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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**REPORT TO THE CITIZENS
OF
COAL COUNTY, OKLAHOMA**



Formerly a part of Tobucksy County, Choctaw Nation; Coal County is located in southeastern Oklahoma and was created at statehood and named for the primary economic product of the region.

Coal mining was once the major industry of the county, but has been dormant since 1958. Mementos of this era may be found in the Coal County Historical and Miners Museum in Coalgate, the county seat.

While agriculture is now considered to be the primary economic mainstay of the county, businesses such as the Mary Hurley Hospital also contribute to the economy of the community.

Coal County History Book is available from the local genealogical society in Coalgate. For more county information, call the county clerk's office at (580) 927-2103.

County Seat – Coalgate

Area – 521.30 Square Miles

County Population – 5,709
(2007 est.)

Farms – 634

Land in Farms – 269,401 Acres

Primary Source: Oklahoma Almanac 2009-2010

See independent auditor's report.

**COAL COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

COUNTY ASSESSOR

Cherry Hefley

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

Eugina Loudermilk

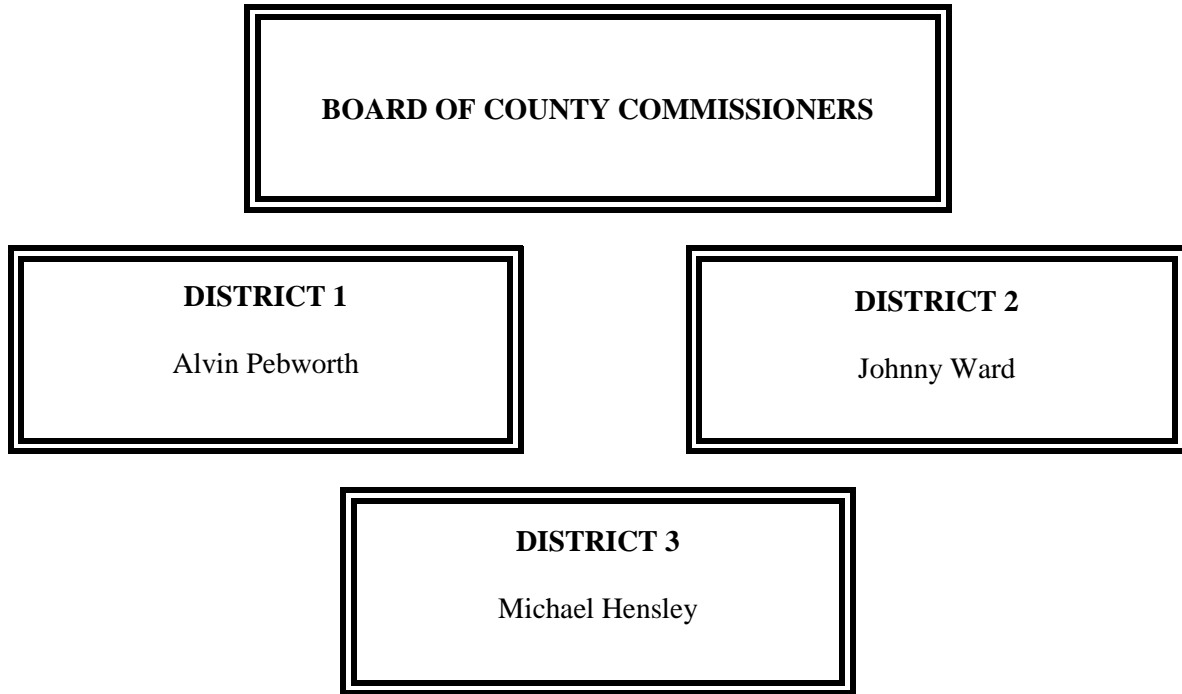
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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.

**COAL COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**



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.

**COAL COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

COUNTY SHERIFF

Roy Deck

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

Gina McNutt

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.

**COAL COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

COURT CLERK

Rachel Fuller

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

Emily Redman

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.

**COAL COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

ELECTION BOARD SECRETARY

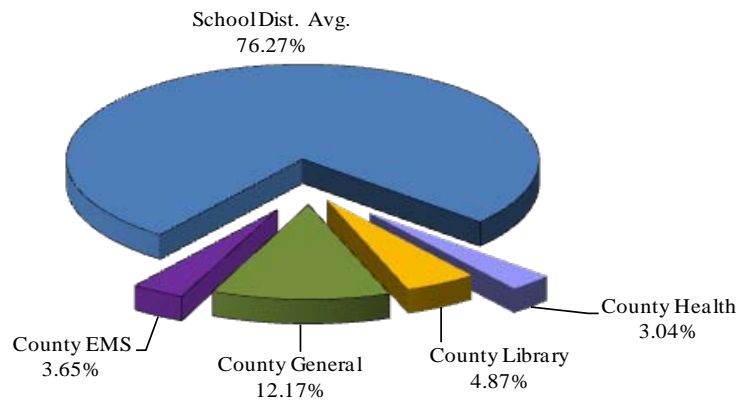
Vicky Salmon

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.

**COAL COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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



County-Wide Millages		School District Millages								
			Gen.	Bldg.	Skg.	Career Tech Gen.	Career Tech Bldg.	Common	Coalgate Sinking	Total
County General	10.19									
County Health	2.55	Coalgate City	35.56	5.08	2.13	10.18	2.04	4.08	4.72	63.79
County Library	4.08	Coalgate Rural	35.56	5.08	2.13	10.18	2.04	4.08	-	59.07
County EMS	3.06	Tupelo	36.19	5.17	-	10.34	2.07	4.08	-	57.85
		Cottonwood	36.26	5.18	-	10.18	2.04	4.08	-	57.74
		Atoka Jt	36.79	5.26	17.33	10.18	2.04	4.08	-	75.68
		Hughes Jt	35.80	5.12	5.68	10.34	2.07	4.08	-	63.09
		Stonewall Jt	36.68	5.24	1.99	10.34	2.07	4.08	-	60.40
		Allen Jt	36.54	5.22	6.90	10.34	2.07	4.08	-	65.15
		Johnson Jt	37.73	5.39	12.66	10.18	2.04	4.08	-	72.08

See independent auditor's report.

**COAL COUNTY, OKLAHOMA
COMPUTATION OF LEGAL DEBT MARGIN
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)**

Total net assessed value as of January 1, 2009		<u>\$ 87,276,184</u>
Debt limit - 5% of total assessed value		4,363,809
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	<u>45</u>	<u>-</u>
Legal debt margin		<u>\$ 4,363,809</u>

See independent auditor's report.

COAL COUNTY, OKLAHOMA
RATIO OF NET GENERAL BONDED DEBT TO ASSESSED
VALUE AND NET BONDED DEBT PER CAPITA
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)

	<u>2010</u>
Estimated population	<u>5,709</u>
Net assessed value as of January 1, 2009	<u>\$ 87,276,184</u>
Gross bonded debt	-
Less available sinking fund cash balance	<u>45</u>
Net bonded debt	<u>\$ -</u>
Ratio of net bonded debt to assessed value	<u>0.00%</u>
Net bonded debt per capita	<u>\$ -</u>

See independent auditor's report.

**COAL COUNTY, OKLAHOMA
ASSESSED VALUE OF PROPERTY
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)**

Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2009	\$ 46,603,592	\$ 26,983,329	\$ 15,464,680	\$ 1,775,417	\$ 87,276,184	\$ 635,324,567

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 COAL COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Coal County, Oklahoma, as of and for the year ended June 30, 2010, listed in the table of contents as the basic financial statement. This financial statement is the responsibility of Coal 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 Coal County as of June 30, 2010, 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 Coal County, for the year ended June 30, 2010, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2012, on our consideration of Coal 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. Also, the other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis, and is not a required part of the basic financial statement. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statement. Such 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", with a stylized, flowing script.

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

January 26, 2012

Basic Financial Statement

**COAL COUNTY, OKLAHOMA
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
(WITH COMBINING INFORMATION)
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	Beginning Cash Balances July 1, 2009	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2010
Combining Information:				
County General Fund	\$ 363,528	\$ 1,246,412	\$ 1,121,060	\$ 488,880
County Highway Cash	917,879	2,522,409	2,595,159	845,129
Resale Property	12,101	17,089	10,186	19,004
County Health Department	188,588	253,949	129,524	313,013
County Sales Tax	3,545,772	1,601,320	1,119,891	4,027,201
CDBG Home/Water	601	6,771	6,250	1,122
CIP Grant CDBG	600			600
Sheriff DARE	1,899		121	1,778
Sheriff Service Fee	68,251	99,206	99,945	67,512
Treasurer Mortgage Tax Certification Fee	4,834	1,139	183	5,790
County Clerk Lien Fee	173,741	48,098	57,646	164,193
JAI Block Grant	702			702
Juvenile Donations	464			464
SODA HOME-OHFA	140	196,247	171,665	24,722
SO-5 Assessor	8,872	11		8,883
SO-6 Assessor	8,858	2,011	686	10,183
REAP Park and Fairgrounds	2,007			2,007
REAP Library Grant	1,177			1,177
Use Tax	774,482	70,301	198,465	646,318
Coal County Library Project Fund	139			139
County Sinking	45			45
Hazard Mitigation	3,300	2,500	3,300	2,500
CDBG Health Clinic	480	607,412	607,412	480
Emergency Planning	2,000	70		2,070
Sheriff Astraited Animal	34			34
CCFFA Fire	4,000		1,059	2,941
Local Emergency Planning		4,766	2,214	2,552
USDA Big Five		151,216	151,216	
Drug Court Money		39,299	7,772	31,527
911		65,173	53,851	11,322
MD4 Cash Donation Health		10,000		10,000
Combined Total--All County Funds	\$ 6,084,494	\$ 6,945,399	\$ 6,337,605	\$ 6,692,288

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

**COAL COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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 Coal County, Oklahoma. The financial statement referred to includes only the primary government of Coal 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 - accounts for the general operations of the government.

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

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

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

County Sales Tax – accounts for the apportionment, appropriation, and disbursements of sales tax collections in accordance with the sales tax ballot.

**COAL COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

CDBG Home/Water - accounts for federal grant monies received and disbursed as restricted by the grant agreement with the Oklahoma Department of Commerce.

CIP Grant CDBG - accounts for federal grant monies received and disbursed as restricted by the grant agreement with the Oklahoma Department of Commerce.

Sheriff DARE - accounts for donations received by the Sheriff's office to administer the DARE program.

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

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

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

JAI Block Grant - accounts for federal grant monies received and disbursed as restricted by the grant agreement with the Department of Justice.

Juvenile Donations - accounts for donations used for the juvenile graduated sanctions.

SODA HOME-OHFA - accounts for state grant monies received and disbursed as restricted by the grant agreement with the Oklahoma Housing Finance Authority and the Southern Oklahoma Development Association.

SO-5 Assessor - accounts for the collection and expenditure of monies by the Assessor as restricted by state statute for the visual inspection program.

SO-6 Assessor - accounts for the collection of funding through the state for computer equipment.

REAP Park and Fairgrounds - accounts for state grant monies received and disbursed as restricted by the Rural Economic Action Plan grant agreement for the park and fairgrounds.

REAP Library Grant - accounts for state grant monies received and disbursed as restricted by the Rural Economic Action Plan grant agreement for the county library.

Use Tax - accounts for receipt of use tax from the Oklahoma Tax Commission and disbursements for the general operation of the County.

Coal County Library Project Fund - accounts for state grant monies received and disbursed as restricted by the grant agreement for the county library.

**COAL COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

County Sinking - accounts for the payment of interest and principal on the matured portion of long-term bonded debt. 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.

Hazard Mitigation - accounts for state and federal grant monies received and disbursed as restricted by the grant agreement with Homeland Security.

CDBG Health Clinic - accounts for federal grant monies received and disbursed as restricted by the grant agreement with the Oklahoma Department of Commerce.

Emergency Planning - accounts for state and federal grant monies received and disbursed as restricted by the grant agreement with Homeland Security.

Sheriff Astraited Animal - accounts for funds from the sale and care of estray animals.

CCFFA Fire - accounts for the monies of a fire association comprised of the eight departments countywide. Annual dues are collected and disbursed for training and supplies.

Local Emergency Planning - accounts for disbursement of funds for emergency planning, training, and equipment.

USDA Big Five - accounts for federal grant monies received and disbursed as restricted by the grant agreement with the United States Department of Agriculture for construction and remodeling of the Big Five community building.

Drug Court Money - fees from participants for the operation of the court.

911 - accounts for the operations of the 911 service.

MD4 Cash Donation Health - accounts for the collection of grant monies to be disbursed for general operations of the Health Department.

The County Treasurer collects and remits material amounts of intergovernmental revenues and ad valorem tax revenue for other budgetary entities, including emergency medical districts, 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, prescribed or permitted by state law, wherein amounts are recognized when received or disbursed. This basis of accounting

**COAL COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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.

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

**COAL COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

- 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

All full-time Coal County employees are entitled to vacation leave that is accrued at the rate of 7.00 hours per month up to a maximum of 240 hours. Vacation leave must be earned before it is taken. Vacations must be no longer than 10 consecutive working days unless permission is obtained from the appropriate elected official, and vacation schedules are subject to elected official approval. Vacation leave must be taken in full day increments. Upon separation, employees are paid for the balance of unused vacation leave.

Sick leave accrues at the rate of 10 hours per month up to a maximum of 576 hours. Employees are not paid for accrued sick leave upon separation of employment with the County.

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, 2009, was approximately \$87,276,184.

Per Article 10, § 8A, with the repeal of personal property tax, the millages with the adjustment factor are 10.19 mills (the legal maximum) for general fund operations, 2.55 mills for county health department, 3.06 mills for county emergency medical service, and 4.08 mills for multi-county library. 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.

**COAL COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Current year tax collections for the year ended June 30, 2010, were approximately 99.07 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 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 any pool deficit. A judgment could be assessed for claims in excess of the pool's limits.

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.

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

**COAL COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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. County employees are required to contribute between 3.5% and 8.5% of earned compensation. The County contributes between 10.5% and 15.5% of earned compensation. Elected officials could contribute between 4.5% and 10% of their entire compensation. The County contributes 15.5% of earned compensation for elected officials. The County's contributions to the Plan for the years ending June 30, 2010, 2009, and 2008, were \$244,166, \$209,082, and \$161,740, respectively, equal to the required contributions for each year.

2.5% Step-Up. Members have the option to elect 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.

9. 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. Amounts, if any, of expenditures that may be disallowed by the grantor cannot be determined, 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.

**COAL COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

10. Sales Tax

In a special election held on August 27, 2002, the voters of Coal County voters approved the assessment of a one percent (1%) sales tax to begin February 14, 2005, and continue for a period of ten years. Proceeds of the tax are designated as follows: county general fund, 27%; county sheriff and security, 20%; OSU Extension and 4H, 10%; capital improvements on county buildings, 14%; emergency medical service, 13%; Senior Citizens Center, 8%; rural fire department, 5%; and solid waste recycling, 3%.

OTHER SUPPLEMENTARY INFORMATION

COAL 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, 2010

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 330,571	\$ 330,571	\$ 363,528	\$ 32,957
Less: Prior Year Outstanding Warrants	(8,016)	(8,016)	(8,016)	
Less: Prior Year Encumbrances	(27,336)	(27,336)	(60,607)	(33,271)
Beginning Cash Balances, Budgetary Basis	295,219	295,219	294,905	(314)
Receipt:				
Ad Valorem Taxes	808,495	808,495	890,219	81,724
Charges for Services	81,433	81,433	86,372	4,939
Intergovernmental Revenues	137,690	216,951	183,078	(33,873)
Miscellaneous Revenues	22,727	22,727	86,743	64,016
Total Receipts, Budgetary Basis	1,050,345	1,129,606	1,246,412	116,806
Expenditures:				
District Attorney	8,000	8,000	4,269	3,731
Total District Attorney	8,000	8,000	4,269	3,731
County Sheriff	198,000	198,224	198,148	76
Total County Sheriff	198,000	198,224	198,148	76
County Treasurer	81,800	83,332	80,455	2,877
Total County Treasurer	81,800	83,332	80,455	2,877
County Commissioners	148,800	148,800	147,324	1,476
Total County Commissioners	148,800	148,800	147,324	1,476
County Clerk	98,400	98,400	98,398	2
Total County Clerk	98,400	98,400	98,398	2
Court Clerk	70,200	70,200	70,200	
Total Court Clerk	70,200	70,200	70,200	-
County Assessor	87,000	87,000	86,847	153
Total County Assessor	87,000	87,000	86,847	153
Revaluation of Real Property	99,700	99,765	80,363	19,402
Total Revaluation of Real Property	99,700	99,765	80,363	19,402

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

COAL 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, 2010

	Original Budget	Final Budget	Actual	Variance
General Government	441,899	504,197	251,270	252,927
Total General Government	441,899	504,197	251,270	252,927
Excise-Equalization Board	3,300	3,300	1,861	1,439
Total Excise-Equalization Board	3,300	3,300	1,861	1,439
County Election Board	54,600	54,047	52,266	1,781
Total County Election Board	54,600	54,047	52,266	1,781
Emergency Management	15,000	25,695	25,656	39
Total Emergency Management	15,000	25,695	25,656	39
County Audit Budget	18,865	18,865	17,351	1,514
Total County Audit Budget	18,865	18,865	17,351	1,514
Drug Court	10,000	15,000	14,756	244
Total Drug Court	10,000	15,000	14,756	244
Drug Task Force	10,000	10,000		10,000
Total Drug Task Force	10,000	10,000	-	10,000
Total Expenditures, Budgetary Basis	1,345,564	1,424,825	1,129,164	295,661
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	\$ -	412,153	\$ 412,153
Reconciliation to Statement of Receipts Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			29,443	
Add: Current Year Outstanding Warrants			47,284	
Ending Cash Balance			\$ 488,880	

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

COAL 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, 2010

	County Health Department Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 188,844	\$ 188,844	\$ 188,588	\$ (256)
Less: Prior Year Outstanding Warrants	(256)	(256)		256
Less: Prior Year Encumbrances	(16,541)	(16,541)	(14,265)	2,276
Beginning Cash Balances, Budgetary Basis	<u>172,047</u>	<u>172,047</u>	<u>174,323</u>	<u>2,276</u>
Receipts:				
Ad Valorem Taxes	202,322	202,322	222,771	20,449
Charges for Services	-	42,959	30,837	(12,122)
Intergovernmental	-	-	35	35
Miscellaneous Revenues	-	-	306	306
Total Receipts, Budgetary Basis	<u>202,322</u>	<u>245,281</u>	<u>253,949</u>	<u>8,668</u>
Expenditures:				
Health and Welfare	<u>374,369</u>	<u>417,328</u>	<u>144,905</u>	<u>272,423</u>
Total Expenditures, Budgetary Basis	<u>374,369</u>	<u>417,328</u>	<u>144,905</u>	<u>272,423</u>
Excess of Receipts and Beginning Cash Balances Over Disbursements, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 283,367</u>	<u>\$ 283,367</u>
Reconciliation to Statement of Receipts Disbursements and Changes in Cash Balances				
Add: Current Year Encumbrances			<u>29,646</u>	
Ending Cash Balance			<u>\$ 313,013</u>	

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

**COAL COUNTY, OKLAHOMA
DETAILED SCHEDULE OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES—SINKING FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Beginning Cash Balance	<u>\$ 45</u>
Receipts:	<u> </u>
Total Receipts	<u>-</u>
Disbursements:	<u> </u>
Total Disbursements	<u>-</u>
Ending Cash Balance	<u>\$ 45</u>

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

COAL COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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 reports 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.

**COAL COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity ID Number</u>	<u>Federal Expenditures</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Direct Grants			
Rural Business Enterprise Grants - Coalgate Clinic	10.769	--	\$ 467,120
Rural Business Enterprise Grants - Big 5	10.769	--	151,216
Total U.S. Department of Agriculture			<u>618,336</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Passed through the Oklahoma Housing Finance Agency:			
Home Investment Partnerships Program	14.239	--	196,247
Passed through the Oklahoma Department of Commerce:			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii - Health	14.228	--	140,292
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii - 2008	14.228	--	10,733
Total CFDA #14.228			<u>151,025</u>
Total U.S. Department of Housing and Urban Development			<u>347,272</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Passed through the District Attorneys Council:			
ARRA-Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories	16.803-ARRA	--	9,996
Total U.S. Department of Justice			<u>9,996</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Passed through the State Department of Emergency Management:			
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	--	779
Total U.S. Department of Transportation			<u>779</u>
<u>U.S. DEPT OF HOMELAND SECURITY</u>			
Passed through the State Department of Emergency Management:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	--	731
Emergency Management Performance Grant	97.042	---	6,250
Total U.S. Department of Homeland Security			<u>6,981</u>
Total Expenditures of Federal Awards			<u>\$ 983,364</u>

The accompanying notes are an integral part of this schedule.
See independent auditor's report.

**COAL COUNTY, OKLAHOMA
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of Coal 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
COAL COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Coal County, Oklahoma, as of and for the year ended June 30, 2010, which comprises the County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated January 26, 2012. Our report on the financial statement included an adverse opinion because the financial statement is not a presentation in conformity with accounting principles generally accepted in the United States of America. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the combined totals—all funds of the receipts, disbursements, and changes in cash balances of the County for the year ended June 30, 2010, on the basis of accounting prescribed by Oklahoma state law, described in Note 1. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Management of Coal County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Coal 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 Coal 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 described in the accompanying schedule of findings and questioned costs to be material weaknesses in internal control over financial reporting. 2010-1, 2010-5, 2010-6, 2010-8

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting. 2010-2, 2010-3, 2010-4, 2010-7, 2010-9, 2010-10

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Coal County's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2010-11.

We noted a certain matter that we reported to the management of Coal County, which is included in Section 4 of the schedule of findings and questioned costs contained in this report.

Coal 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 Coal County's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management of Coal County, federal awarding agencies, and pass-through entities and should not be used for any other purpose. This report is also a public document pursuant to the Oklahoma Open Records Act (51 O.S. § 24A.1 et seq.), and shall be open to any person for inspection and copying.

A handwritten signature in blue ink, appearing to read "Gary A. Jones", with a stylized, flowing script.

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

January 26, 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
COAL COUNTY, OKLAHOMA

Compliance

We have audited the compliance of Coal 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 Coal County's major federal program for the year ended June 30, 2010. Coal 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 Coal County's management. Our responsibility is to express an opinion on Coal County's compliance based on our audit.

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

As described in item 2010-13, in the accompanying schedule of findings and questioned costs, Coal County did not comply with requirements regarding Procurement that are applicable to its Rural Business Enterprise Grant (10.769). Compliance with such requirements is necessary, in our opinion, for Coal County to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the County, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2010.

Internal Control Over Compliance

Management of Coal 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 Coal 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 Coal 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.

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 2010-12 to be a material weakness.

Coal 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 Coal 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.

A handwritten signature in blue ink, appearing to read "Gary A. Jones", with a stylized, flowing script.

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

January 26, 2012

**COAL COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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 No

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

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)

10.769

Name of Federal Program or Cluster

Rural Business Enterprise Grant

Dollar threshold used to distinguish between

Type A and Type B programs:..... \$300,000

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

**COAL COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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 2010-1 - Control Environment

Criteria: An effective internal control system has in place policies and procedures that reduce the risk of errors and fraud within an organization. A key factor in this system is the environment established by management. In addition, management attitude, qualifications, and operating style become the foundation of all other internal control components.

Condition: As part of our risk assessment, we reviewed the county-wide controls and assessed the entity and its environment. Through conversation and interaction with county officials and employees it is our determination that there is a lack of communication and cooperation between the elected officials. Additionally, during the course of the audit, we had difficulty in obtaining complete and accurate documentation regarding the County's federal grant expenditures for Disaster Grants-Public Assistance in order to report these expenditures on the County's Schedule of Expenditures of Federal Awards. The county officials have not made a determination regarding the preparation of the Schedule of Expenditures of Federal Awards.

Cause: Lack of cooperation and communication between offices.

Effect: This has resulted in the County's inability to initiate, authorize, record, process, or report financial data reliably.

Recommendation: OSAI recommends management be aware of these conditions and realize the most effective controls lie in management's attitude and operating style with regard to effective internal controls of which communication is an important part.

Management Response: Management has urged cooperation between all county offices when dealing with financial data and other record keeping issues.

Finding 2010- 2 - Disaster Recovery Plan

Criteria: According to the standards of the Information Systems Audit and Control Association (CobiT, Delivery and Support 4), information services function management should ensure that a written Disaster Recovery Plan is documented and contains the following:

- Guidelines on how to use the 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);

**COAL COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

- Listing of highest to lowest priority applications, required recovery times and expected performance norms;
- Various recovery scenarios from minor to loss of total capability and response to each in sufficient detail for step-by-step execution;
- Identification of specific equipment and supply needs 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.

Condition: The County Clerk, County Treasurer, and the Court Clerk do not have a Disaster Recovery Plan that addresses how critical information and systems would be restored in the event of a disaster.

Cause: Lack of knowledge of the need to develop or implement a Disaster Recovery Plan.

Effect: The failure to have a current Disaster Recovery Plan could result in the inability to function in the event of a disaster. The lack of a procedure addressing how critical information and/or systems would be restored could cause significant problems in ensuring that county business could continue without interruption.

Recommendation: OSAI recommends the County develop a Disaster Recovery Plan addressing how critical information and/or systems would be restored in the event of a disaster.

Management Response: Management will develop a current Disaster Recovery Plan addressing how critical information and/or systems would be restored in the event of a disaster.

Finding 2010-3 - Information System Controls

Criteria: According to the standards of the Information Systems Audit Control Association (CobiT, Delivery and Support DS5), the need to maintain the integrity of information and protect IT assets requires a security management process. This process includes establishing and maintaining IT security roles and responsibilities, policies, standards and procedures. Security management also includes performing security monitoring and periodic testing and implementing corrective actions for identified security weaknesses or incidents. Effective security management protects all IT assets to minimize the

**COAL COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

business impact of security vulnerabilities and incidents. To help ensure proper IT system controls, each person should have their own username and password. Passwords should expire at regular intervals and computers should log off after periods of inactivity with a prompt for a password to log back on.

Condition: Upon inquiry and observation, it was noted that the computers within the County Clerk's and the County Treasurer's office do not log off after a period of inactivity. It was further noted that unique usernames and passwords are not utilized.

Cause: Lack of security management over the Information Systems.

Effect: Without an IT security policy in place, the County is at risk of a loss of financial and taxpayer data as well as a risk for misappropriation of county assets.

Recommendation: OSAI recommends that the County Clerk and Treasurer work with their IT personnel or in conjunction with software vendors to establish controls that will log off or lock computers after periods of inactivity or when the user is away from their computer. OSAI further recommends that passwords be set up with a requirement for length, character and an expiration at regular intervals with controls established for permission restrictions so all employees do not have unlimited access to Kellpro, Keller and the OSU ad valorem system.

Management Response: Officials will work with software vendors to implement the proper controls over the IT systems.

Finding 2010-4 - Unrecorded Interest on General Ledger

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, all interest received on investments should be recorded on the general ledger to reflect the new balance of the account.

Condition: The County Treasurer was not recording interest earned on investments to the general ledger. The total amount of unrecorded interest was \$32,285.38.

Cause: A failure to record interest earned on investments.

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

Recommendation: OSAI recommends the County Treasurer update the general ledger to reflect interest earned on investments.

Management Response: The County Treasurer will correct and continue to update general ledger to reflect interest earned on investments.

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Finding 2010- 5 - Segregation of Duties Over Receipting

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, the duties of receiving, receipting, recording, depositing cash and checks, reconciliations, and transaction authorization should be segregated. A single person having responsibility for more than one area of recording, authorization, custody of assets, and execution of transactions could result in unrecorded transactions, misstated financial reports, misappropriation of funds, or clerical errors that are not detected in a timely manner.

Condition: Based upon inquiry and observation of the County's receipting process the following was noted:

County Treasurer's Office: The Treasurer and the first deputy issue receipts for checks received in the mail and endorse the back of the checks. No check log is maintained. Part-time employees work from the same cash drawer. The employee who works from the cash drawer also reconciles the cash drawer. Bank reconciliations are performed by the same employee receipting money.

County Clerk's Office: Two deputies receive mail and issue receipts for checks received in the mail. Employees work from the same cash drawer. The employee who works from the cash drawer also reconciles the cash drawer and makes the deposit.

County Assessor's Office: The County Assessor does not maintain a log of checks received by mail. Receipts do not indicate method of payment. Employees work from the same cash drawer. The employee who reconciles the cash drawer also issues receipts from the same drawer. The office does not deposit daily and undeposited money is not kept in a safe overnight.

County Sheriff's Office: The County Sheriff's administrative assistant receives, receipts, and deposits checks received by mail. The County Treasurer endorses these checks. The deposits are not reviewed by any other employee.

County Election Board's Office: The County Election Board secretary receives mail, endorses checks, issues receipts, prepares deposits, and takes deposits to the Treasurer.

Solid Waste: The Solid Waste employee did not issue a receipt for all funds collected. The daily collections are not reconciled to receipts issued. Deposit slips are not documented to reflect total cash and individual checks listed. Deposits are not made daily.

County Court Clerk: A log of checks received by mail is not maintained. Employees work from the same cash drawer. The employee reconciling the cash drawer also makes deposits.

Cause: Lack of segregation of duties.

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

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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 risk involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office, and having management review and approve accounting functions.

Further, the following duties should be separated in the respective offices:

County Treasurer's Office: Two persons should collect and open the mail together. The Treasurer should maintain a log of checks received by mail: one person should log checks and another person should issue receipts. Part-time employees should not work from the same cash drawer. The employee who works from the cash drawer should not reconcile the cash drawer. Bank reconciliations should be approved by someone other than the person performing the reconciliation.

County Clerk's Office: Two persons should collect and open the mail together. The County Clerk should maintain a log of checks received by mail: one person should log checks, and another person should issue receipts. Employees should not work from the same cash drawer. The employee who works from the cash drawer should not reconcile the cash drawer. The employee who reconciles the cash drawer should not make deposits unless they are reviewed and approved by another employee.

County Assessor's Office: Two persons should collect and open the mail together. The County Assessor should maintain a log of checks received by mail: one person should log checks and another person should issue receipts. Receipts should indicate method of payment. Employees should not work from the same cash drawer. The employee who reconciles the cash drawer should not issue receipts from the same drawer. The office should deposit daily, and money collected after the deposit should be maintained in a safe overnight.

County Sheriff's Office: Two persons should collect and open the mail together. The County Sheriff's office should maintain a log of checks received by mail: one person should log checks and another person should issue receipts. Someone other than the employee making the deposit ticket should review deposits.

County Election Board's Office: Two persons should collect and open the mail together. The County Election Board should maintain a log of checks received by mail: one person should log checks and another person should issue receipts. One person should not perform the duties of receipting, preparing deposits, and taking deposits to the Treasurer.

Solid Waste: The Solid Waste employee should issue a receipt for all funds collected. The employee receipting funds should not reconcile the cash box. The cash box should be reconciled daily to receipts issued. The deposit slip should reflect total cash and the individual check listing. Deposits should be made daily.

County Court Clerk's Office: Two persons should collect and open the mail together. The Court Clerk should maintain a log of checks received by mail: one person should log checks and someone else should issue receipts. Employees should not work from the same cash drawer. The employee who works from

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the cash drawer should not reconcile the cash drawer. The employee who reconciles the cash drawer should not make deposits unless they are reviewed and approved by another employee.

Management Response:

The County Treasurer is aware of this condition and will implement compensating controls to mitigate the risks involved with a concentration of duties.

The County Clerk is aware of this condition and will implement compensating controls to mitigate the risks involved with a concentration of duties.

The County Assessor's office has corrected these issues.

The County Sheriff is aware of this condition and will implement compensating controls to mitigate the risks involved with a concentration of duties.

The County Commissioner, who oversees the Solid Waste program, stated that the issues concerning Solid Waste have been corrected

The Court Clerk is aware of this condition and will implement compensating controls to mitigate the risk involved with a concentration of duties

Finding 2010-6 - Segregation of Duties over Payroll Disbursements

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

Condition: Upon inquiry and observation of the County's payroll process, the following was noted:

- The payroll clerk enrolls new employees, makes payroll changes, runs verification reports, and reconciles and prints payroll affidavits and warrants.
- The County Clerk reviews the first deputy's reconciliation of payroll (warrants to be issued to actual time worked) but doesn't sign or initial the reconciliation to document approval.

Cause: Lack of segregation of duties within the payroll department.

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

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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 risk involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office, and having management review and approval of accounting functions. Further, the duties of enrolling new employees, making payroll changes, running verification reports and reconciling, initiating payment of payroll, and printing of affidavits and warrants should be adequately segregated.

Management Response: The County Clerk is aware of this condition and will implement compensating controls to mitigate the risk involved with a concentration of duties.

Finding 2010-7 - Payroll Records

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designed to analyze and check accuracy, completeness, and authorization of payroll calculations and/or transactions. To help ensure a proper accounting of funds, timesheets should be submitted to the payroll clerk for each pay period, the County Clerk should work with their IT personnel or in conjunction with software vendors to establish a method of tracking and maintaining personnel leave balances, and payroll affidavits should be approved by the BOCC prior to distribution of warrants.

Condition: Upon inquiry and observation of the County's payroll process the following was noted:

- The County Court Clerk does not turn timesheets into the County Clerk.
- The Board of County Commissioners secretary does not consistently turn in a time sheet.
- The County Clerk does not track employee leave balances.
- Payroll warrants are printed and distributed before they are approved by the Board of County Commissioners.

Cause: Lack of formal payroll policy and lack of communication between county offices.

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

Recommendation: OSAI recommends that timesheets be submitted to the payroll clerk for each pay period and the County Clerk work with their IT personnel or in conjunction with software vendors to establish a method of tracking and maintaining personnel leave balances. Further, payroll affidavits should be approved by the Board of County Commissioners prior to distribution of payroll warrants, and timesheets should be reviewed for accuracy prior to approval.

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Management Response:

The County Clerk's office will work with software vendor to implement a payroll program to track and reconcile leave accruals and usage on a monthly basis.

The County Court Clerk's office has corrected this issue. Timesheets are now turned into the County Clerk's office each month.

The Board of County Commissioners will work to correct these issues.

Finding 2010-8 - Segregation of Duties over Disbursements

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

Condition: Upon inquiry and observation of the County's purchasing process, it was noted that the Purchasing Agent encumbers funds, posts to ledgers, prints and distributes the warrants.

Cause: Lack of segregation of duties over disbursements.

Effect: These conditions could result in 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 risk involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office, and having management review and approve accounting functions.

Management Response: The County Clerk's office is aware of this condition and will implement compensating controls to mitigate the risks involved with a concentration of duties.

Finding 2010-9 - Signature Stamps

Criteria: An 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 untimely detection of unauthorized acquisition, use, or disposition of the entity's assets and safeguard assets from loss, damage, or misappropriation.

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Condition: Upon inquiry and observation, it was noted that the County Clerk has three signature stamps. One stamp is for her use, one is for the first deputy's use, and one is for the Purchasing Agent's use. The first deputy and Purchasing Agent keep their stamps in an unlocked desk drawer. The County Treasurer has one signature stamp for her use and one for the first deputy's use. The first deputy keeps the stamp in an unlocked desk drawer.

Cause: Lack of controls over signature stamps.

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

Recommendation: OSAI recommends that signature stamps should only be used by the official. Officials who utilize signature stamps should ensure that signature stamps are adequately safeguarded from unauthorized use.

Management Response:

The County Clerk will maintain a signature stamp log if stamp is authorized to be used by someone else.

The County Treasurer's signature stamp will be maintained in a locked drawer. A signature stamp log will be maintained if stamp is authorized to be used by someone else.

Finding 2010-10 - Reconciliations

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

Condition: The County Clerk does not reconcile the appropriation ledger to the County Treasurer's general ledger.

Cause: Lack of communication between county offices.

Effect: This condition could result in unrecorded transactions, misstated financial reports, misappropriation of funds, or clerical errors that are not detected in a timely manner.

Recommendation: OSAI recommends the County Clerk's appropriation ledger (record of disbursements) be reconciled monthly to the County Treasurer's general ledger.

Management Response: We will implement procedures to correct this issue.

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Finding 2010-11 - Disbursements

Criteria: Title 19 O.S. § 1504.A states in part:

A receiving officer shall receive all supplies, materials and equipment purchased, lease purchased or rented by his department and shall identify such items received in a manner prescribed by the county road and bridge inventory officer or board of county commissioners or designee. The receiving office shall also maintain a record of all supplies, materials, and equipment received, disbursed, stored, and consumed by his department.

Title 19 O.S. § 1505.C.2. states:

The county clerk shall then encumber the amount stated on the purchase order and assign a sequential number to the purchase order;

Title 19 O.S. § 1505.E. states in part:

A receiving officer for the requisitioning department shall be responsible for the receiving of all items delivered to that department. Upon delivery of an item, the receiving officer shall determine if a purchase order exists for the item being delivered. If no such purchase order has been provided, the receiving officer shall refuse delivery of the item.

Condition: While performing the purchase order test, the following exceptions were noted:

- Ten of 27 POs tested were not timely encumbered.
- Ten of 27 POs tested did not have proper documentations.

<u>PO#</u>	<u>Warrant#</u>	<u>Fund</u>	<u>Date</u>	<u>Amount</u>	<u>Purpose</u>
<u>Not Timely Encumbered</u>					
Highway:					
59	1	T-2A	7/01/09	\$4,200.00	Hauling
62	7	T-2B	7/01/09	\$4,922.69	Rentals
420	514	T-2A	8/03/09	\$3,835.34	Fuel
Sheriff's Sales Tax:					
636	103	B-8	8/20/09	\$927.51	Plumbing & Heating
CDBG Health:					
1597	7	CDBG Health	11/02/09	\$69,102.90	Construction Payment
3106	13	CDBG Health	3/02/10	\$60,914.00	Construction Payment
2373	10	CDBG Health	1/07/10	\$118,412.80	Construction Payment
2119	9	CDBG Health	12/06/09	\$91,086.30	Construction Payment
3164	14	CDBG Health	3/09/10	\$90,202.99	Construction Payment
4359	7	CDBG Health	6/10/10	\$89,805.50	Construction Payment

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Proper Documentation Not Attached

Highway:

1762	1155	T-2A	11/19/09	\$1,207.73	Gravel (RR signed prior to invoice date)
CDBG Health:					
1597	7	CDBG Health	11/02/09	\$69,102.90	Construction Payment (RR signed by contractor)
3106	13	CDBG Health	3/02/10	\$60,914.00	Construction Payment (RR signed by contractor)
2373	10	CDBG Health	1/07/10	\$118,412.80	Construction Payment (RR signed by contractor)
2119	9	CDBG Health	12/06/09	\$91,086.30	Construction Payment (RR signed by contractor)
3164	14	CDBG Health	3/09/10	\$90,202.99	Construction Payment (RR signed by contractor)
4359	7	CDBG Health	6/10/10	\$89,805.50	Construction Payment (RR signed by contractor)
Health Department:					
130	21	MD-2	7/10/09	\$7,627.13	Revenue note payment
EMS- Sales Tax:					
2447	4	EMS-3	1/13/10	\$50,000.00	Contract Payment
641	1	EMS-3	8/20/09	\$125,000.00	Contract Payment

Cause: Lack of communication between county offices.

Effect: This condition results in the County having misstated financial reports, unrecorded transactions, and being in violation of the law, regulation, or legislative intent. This condition could also result in judgments being levied against the County.

Recommendation: OSAI recommends that the County encumber purchase orders prior to ordering or receiving goods and services, while strictly adhering to state purchasing laws.

Management Response: Management will make sure that all purchase orders were timely encumbered, and that proper documentation is attached.

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

Finding 2010-12 - Internal Controls over Federal Grants

FEDERAL AGENCY: United States Department of Agriculture

CFDA NO: 10.769

FEDERAL PROGRAM NAME: Rural Business Enterprise Grant

FEDERAL AWARD YEAR: 2010

CONTROL CATEGORY: Activities Allowed, Allowable Costs, Cash Management, Period of Availability of Federal Funds, Procurement and Suspension and Debarment

Criteria: Circular A-133 § ___.300 (b) states that the auditee shall:

Maintain internal controls 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 material effect on each of its Federal programs.

Further, accountability and stewardship should be overall goals in management's accounting of federal funds. Internal controls should be designated to monitor compliance with laws and regulations pertaining to grant contracts.

Condition: During the process of documenting the County's internal controls regarding federal disbursements, we noted that the County has not established adequate controls to ensure compliance with the following compliance requirements: Activities Allowed; Allowable Cost; Cash Management, Period of Availability of Federal Funds; and Procurement and Suspension and Debarment.

Cause: Lack of understanding of compliance requirements and the appropriate internal controls that should be established for expenditure of federal grant funds.

Effect: The condition could result in non-compliance to grant requirements.

Recommendation: OSAI recommends the County gain an understanding of requirements for these programs and implement internal controls to ensure compliance with requirements.

Management Response: Officials seem willing to implement internal controls over compliance requirements.

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Finding 2010-13 - Procurement Over Federal Grants

FEDERAL AGENCY: United States Department of Agriculture

CFDA NO: 10.769

FEDERAL PROGRAM NAME: Rural Business Enterprise Grant

FEDERAL AWARD YEAR: 2010

CONTROL CATEGORY: Procurement

QUESTIONED COSTS: \$618,336.33

Criteria: A-133 Compliance Supplement guidelines for Procurement states:

Local governments and Indian tribal governments which are not sub recipients of states will use their own procurement procedures provided that they conform to applicable federal law and regulations and standards in the A-102 Common Rule.

County purchasing procedures are determined by state statute. Title 19 O.S. § 1505.C.1 & 2 states:

After selection of a vendor, the procedure for the purchase, lease-purchase, or rental of supplies, materials, and equipment used by a county shall be as follows:

1. The county purchasing agent shall prepare a purchase order in quadruplicate and submit it with a copy of the requisition to the county clerk;
2. The county clerk shall then encumber the amount stated on the purchase order and assign a sequential number to the purchase order;

Condition: While performing the expenditure testwork, the following exception was noted:

- 21 of the 21 expenditures tested were not timely encumbered.

Cause: Lack of communication between offices and a lack of understanding of compliance requirements and the appropriate internal controls that should be established for expenditure of federal grant funds.

Effect: This could result in the County being in noncompliance with Federal Grant requirements and misappropriation of grant funds.

Recommendation: OSAI recommends the County gain an understanding of the requirements for this program and implement internal controls to ensure compliance with these requirements.

Management Response: Purchases will be encumbered in a timely manner.

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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 2010-14 - Court Fund Vouchers

Criteria: Effective accounting procedures are necessary to ensure stewardship and accountability of public funds. Important aspect of effective accounting procedures include maintaining supporting documentation for expenditures and ensuring claims are paid in a timely manner.

Condition: During our test of Court Fund vouchers and claims, we noted that 4 of the 25 claims tested were for payroll, and the employee’s timesheet was not signed by the officer.

Cause: Court Clerk did not sign timesheet to document that timesheet was reviewed.

Effect: This condition could result misappropriation of funds or clerical errors that are not detected in a timely manner.

Recommendation: OSAI recommends that the Court Clerk or supervisor approve and sign employee timesheets.

Management Response: The Court Clerk has corrected this.



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