

COUNTY AUDIT

COAL COUNTY

For the fiscal year ended June 30, 2013



*Independently serving the citizens of
Oklahoma by promoting the
accountability and fiscal integrity of
governmental funds.*



Oklahoma State
Auditor & Inspector
Gary A. Jones, CPA, CFE

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

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Oklahoma State Auditor & Inspector

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

August 20, 2015

TO THE CITIZENS OF
COAL COUNTY, OKLAHOMA

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

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

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

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

Sincerely,

A handwritten signature in blue ink, reading 'Gary A. Jones'.

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

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

TABLE OF CONTENTS

INTRODUCTORY SECTION (Unaudited)

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

FINANCIAL SECTION

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

OTHER SUPPLEMENTARY INFORMATION

Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—General Fund.....	10
Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—County Health Department Fund	11
Combining Statement of Receipts, Disbursements, and Changes in Cash Balances—Regulatory Basis—Remaining Aggregate Funds	12
Notes to Other Supplementary Information	13

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

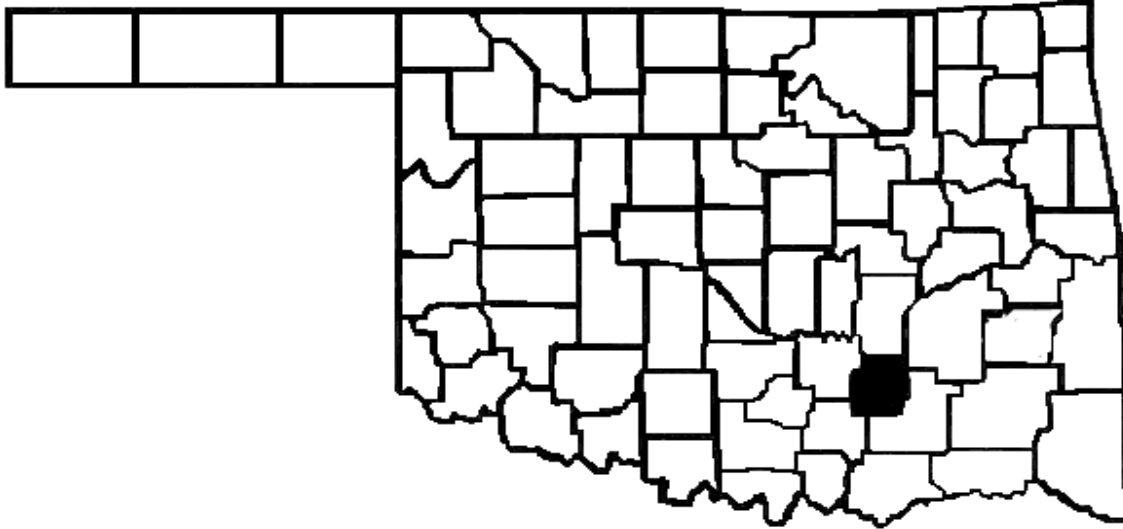
INTERNAL CONTROL AND COMPLIANCE SECTION

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

Schedule of Findings and Responses..... 18

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

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



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 Mining 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 – 5,963
(2012 est.)

Farms – 634

Land in Farms – 269,401 Acres

Primary Source: Oklahoma Almanac 2013-2014

Board of County Commissioners

District 1 – Alvin Pebworth
District 2 – Johnny D. Ward
District 3 – Mike Hensley

County Assessor

Cherry Hefley

County Clerk

Eugina Loudermilk

County Sheriff

Bryan Jump

County Treasurer

Gina McNutt

Court Clerk

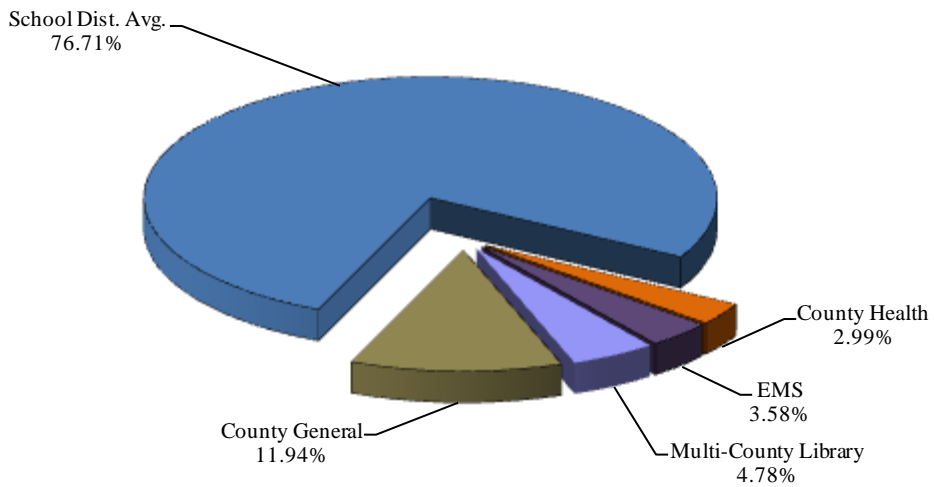
Rachel Nix

District Attorney

Emily Redman

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

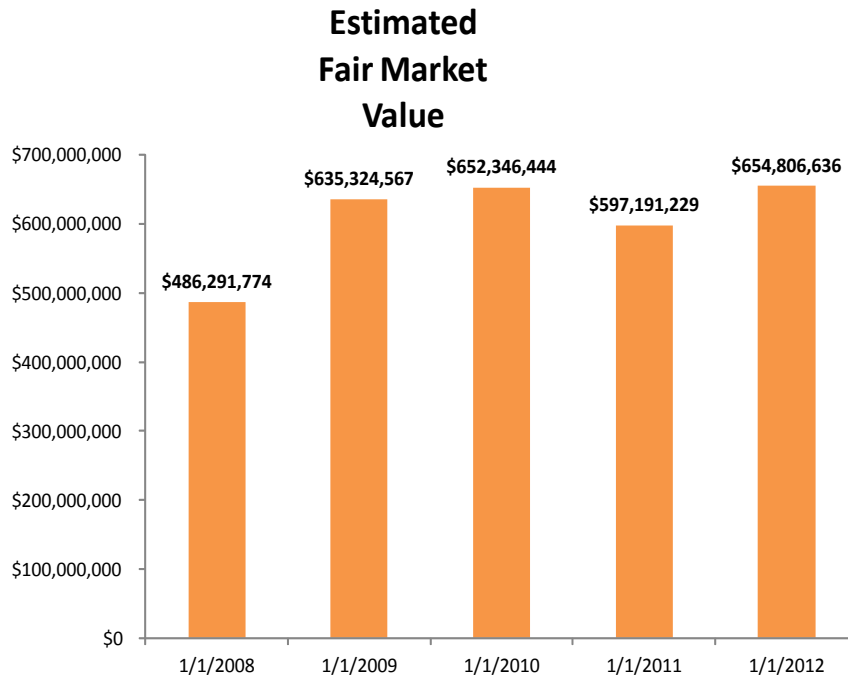
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the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



County-Wide Millages		School District Millages								
		Career								
		Gen.	Bldg.	Skg.	Tech	Common	Coalgate Skg	Total		
County General	10.19									
County Health	2.55	Coalgate City	I-1	35.56	5.08	1.77	12.22	4.08	3.51	62.22
Multi-County Library	4.08	Coalgate Rural	C-1A	35.56	5.08	1.77	12.22	4.08	-	58.71
EMS	3.06	Tupelo	I-2	36.19	5.17	-	12.41	4.08	-	57.85
		Cottonwood	D-4	36.26	5.18	-	12.22	4.08	-	57.74
		Atoka Jt	A-C	36.79	5.26	23.93	12.22	4.08	-	82.28
		Hughes Jt	I-48	35.80	5.12	3.95	12.22	4.08	-	61.17
		Stonewall Jt	I-30	36.68	5.24	14.97	12.41	4.08	-	73.38
		Allen Jt	PI-1	36.54	5.22	8.70	12.41	4.08	-	66.95
		Johnston Jt	I-37	37.73	5.39	9.49	12.22	4.08	-	68.91

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

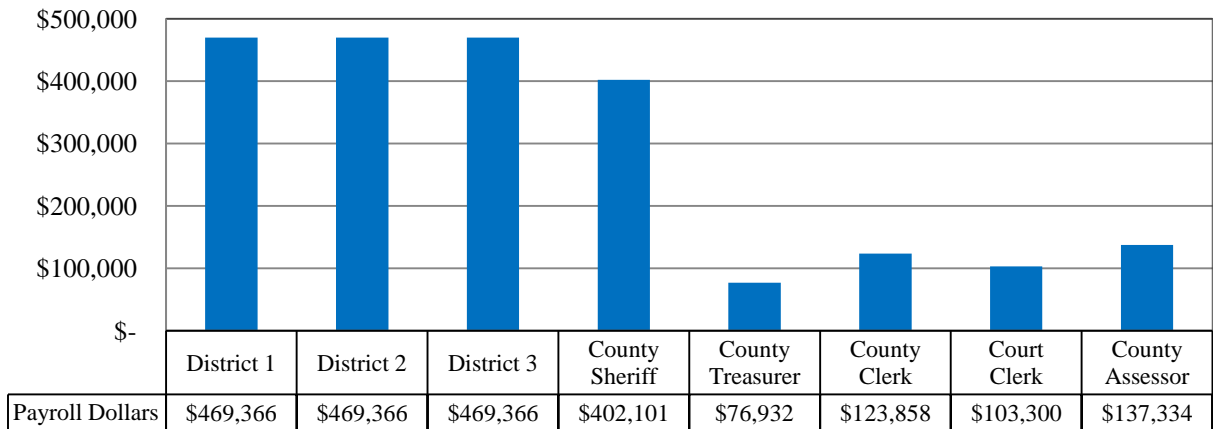
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2012	\$49,461,411	\$22,483,559	\$17,307,827	\$1,771,129	\$87,481,668	\$654,806,636
1/1/2011	\$42,086,472	\$24,598,340	\$16,658,310	\$1,790,868	\$81,552,254	\$597,191,229
1/1/2010	\$46,078,338	\$30,390,569	\$16,243,199	\$1,794,174	\$90,917,932	\$652,346,444
1/1/2009	\$46,603,592	\$26,983,329	\$15,464,680	\$1,775,417	\$87,276,184	\$635,324,567
1/1/2008	\$29,931,798	\$26,262,415	\$14,631,137	\$1,801,026	\$69,024,324	\$486,291,774



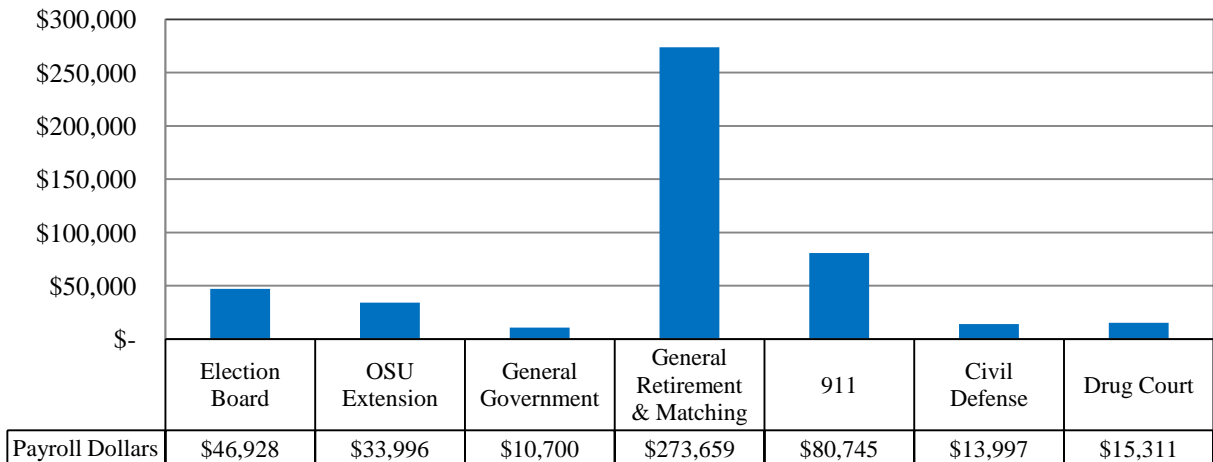
**COAL COUNTY, OKLAHOMA
COUNTY PAYROLL EXPENDITURES ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

County officers' salaries are based upon the assessed valuation and population of the counties. State statutes provide guidelines for establishing elected officers' salaries. The Board of County Commissioners sets the salaries for all elected county officials within the limits set by the statutes. The designated deputy or assistant's salary cannot exceed the principal officer's salary. Salaries for other deputies or assistants cannot exceed the principal officer's salary. The information presented below is for the fiscal year ended June 30, 2013.

Payroll Expenditures by Department



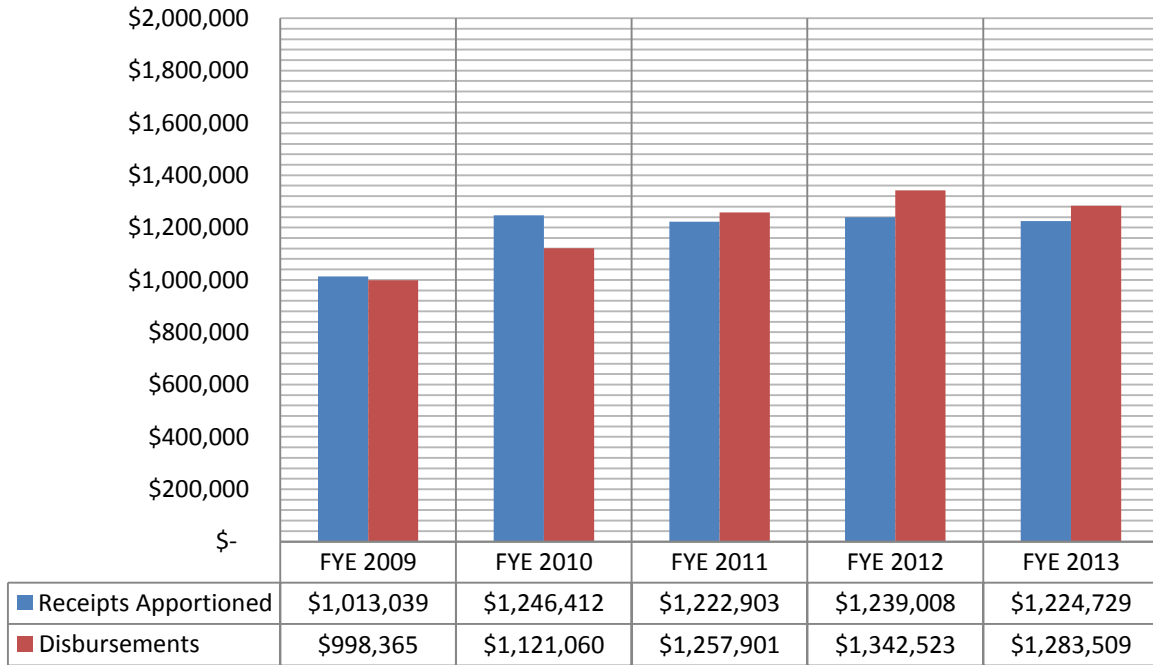
Payroll Expenditures by Department



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

County General Fund

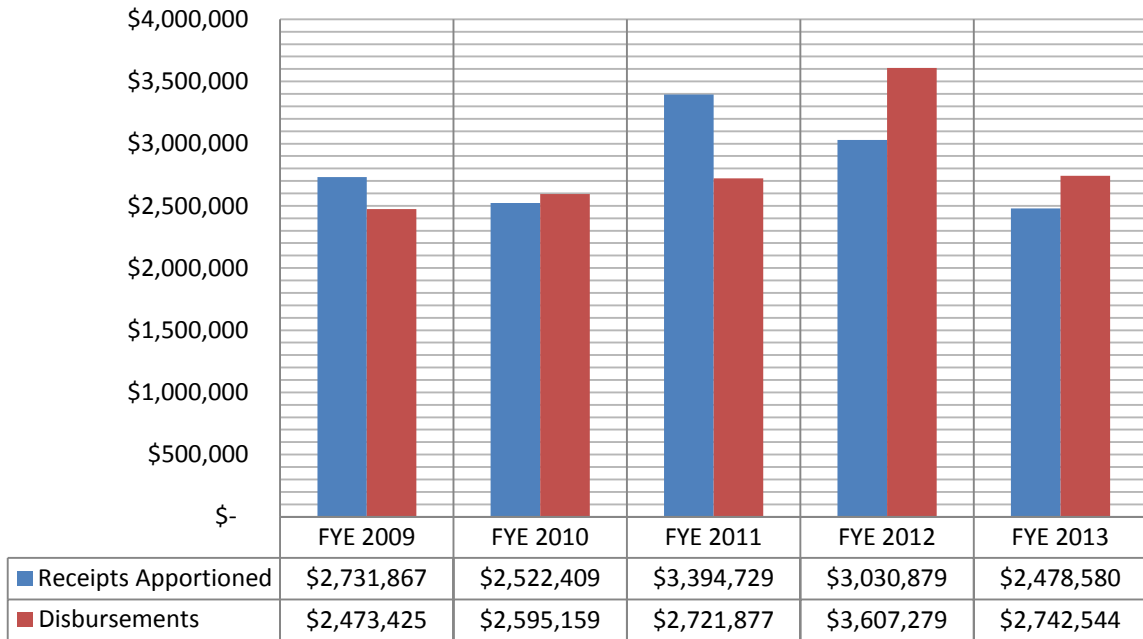
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also provides revenue for various budget accounts and accounts that support special services and programs. The Board of County Commissioners must review and approve all expenditures made from the County General Fund. The primary revenue source for the County General Fund is usually the county's ad valorem tax collected on real, personal (if applicable), and public service property. Smaller amounts of revenue can come from other sources such as fees, sales tax, use tax, state transfer payments, in-lieu taxes, and reimbursements. The chart below summarizes receipts and disbursements of the County's General Fund for the last five fiscal years.



**COAL COUNTY, OKLAHOMA
COUNTY HIGHWAY FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

County Highway Fund

The County receives major funding for roads and highways from a state imposed fuel tax. Taxes are collected by the Oklahoma Tax Commission. Taxes are imposed on all gasoline, diesel, and special fuel sales statewide. The County's share is determined on formulas based on the County population, road miles, and land area and is remitted to the County monthly. These funds are earmarked for roads and highways only and are accounted for in the County Highway Fund. The chart below summarizes receipts and disbursements of the County's Highway Fund for the last five fiscal years.



FINANCIAL SECTION



Oklahoma State Auditor & Inspector

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

Independent Auditor's Report

TO THE OFFICERS OF
COAL COUNTY, OKLAHOMA

Report on the Financial Statement

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

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Opinion on Regulatory Basis of Accounting

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

Other Matters

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 18, 2015, 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 in considering Coal County's internal control over financial reporting and compliance.

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

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

August 18, 2015

REGULATORY BASIS FINANCIAL STATEMENT

COAL COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS
(WITH COMBINING INFORMATION)—MAJOR FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Beginning Cash Balances July 1, 2012	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2013
Combining Information:						
Major Funds:						
County General Fund	\$ 350,367	\$ 1,224,729	\$ 125,000	\$ 125,000	\$ 1,283,509	\$ 291,587
County Highway	987,866	2,478,580	-	-	2,742,544	723,902
CBRIF 105	572,367	227,547	-	-	285,511	514,403
County Health Department	435,947	224,637	-	-	283,312	377,272
Sheriff Service Fee	54,295	68,922	-	-	86,951	36,266
County Sales Tax	4,065,684	720,067	125,000	125,000	1,161,882	3,623,869
Coal County Hospital Sales Tax	-	30,100	-	-	-	30,100
Use Tax	374,936	103,854	-	-	73,895	404,895
County Sinking	45	-	-	-	-	45
Remaining Aggregate Funds	358,800	220,595	-	-	265,763	313,632
Combined Total - All County Funds	\$ 7,200,307	\$ 5,299,031	\$ 250,000	\$ 250,000	\$ 6,183,367	\$ 6,315,971

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, 2013**

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

B. Fund Accounting

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

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

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

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

CBRIF 105 – accounts for monies received from Oklahoma Department of Transportation. Monies are earmarked for bridges, roads, and certain improvements for roads.

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

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

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

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

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

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

County Sinking – accounts for debt service receipts derived generally from a special ad valorem tax levy and from interest earned on investments of cash not immediately required for debt service payments.

C. Basis of Accounting

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

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

D. Budget

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

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

E. Cash and Investments

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

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

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

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

2. Ad Valorem Tax

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

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

3. Other Information

A. Pension Plan

Plan Description. The County contributes to the Oklahoma Public Employees Retirement Plan (the Plan), a cost-sharing, multiple-employer defined benefit pension plan administered by the

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

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.

B. Other Post Employment Benefits (OPEB)

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

C. Contingent Liabilities

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

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

D. Sales Tax

In a special election held on August 27, 2002, the voters of Coal County 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 offices, 10%; Capital Improvements on county buildings, 14%; Emergency Medical Services (Ambulance), 13%; County Senior Citizens Centers, 8%; Rural Fire Departments, 5%; and Solid Waste and Recycling programs, 3%. These funds are accounted for in the County Sales Tax fund.

On November 6, 2012, the voters of Coal County approved a permanent one percent (1%) sales tax effective April 1, 2013. This sales tax is for the operation, maintenance, and improvement of

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

Coal County General Hospital and public acute health care purposes. These funds are accounted for in the Coal County Hospital Sales Tax fund.

E. Interfund Transfers

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

- \$125,000 from the County Sales Tax fund to County General Fund to meet requirements of appropriations in accordance with 68 O.S. § 3021.
- \$125,000 was transferred from the County General Fund to County Sales Tax fund for the repayment of a loan in accordance with 68 O.S. § 3021.

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, 2013

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 350,367	\$ 350,367	\$ -
Less: Prior Year Outstanding Warrants	(55,178)	(55,178)	-
Less: Prior Year Encumbrances	(18,907)	(16,395)	2,512
Beginning Cash Balances, Budgetary Basis	<u>276,282</u>	<u>278,794</u>	<u>2,512</u>
Receipts:			
Ad Valorem Taxes	810,398	886,493	76,095
Charges for Services	42,807	46,505	3,698
Intergovernmental Revenues	131,078	135,521	4,443
Miscellaneous Revenues	193,467	156,210	(37,257)
Total Receipts, Budgetary Basis	<u>1,177,750</u>	<u>1,224,729</u>	<u>46,979</u>
Expenditures:			
County Sheriff	237,243	237,020	223
County Treasurer	88,800	88,462	338
County Commissioners	173,033	171,919	1,114
County Clerk	105,800	105,797	3
Court Clerk	136,278	126,433	9,845
County Assessor	97,500	93,287	4,213
Revaluation of Real Property	101,000	100,998	2
General Government	365,318	287,644	77,674
Excise-Equalization Board	2,500	1,979	521
County Election Board	56,010	54,608	1,402
Emergency Management	19,020	19,000	20
Drug Task Force	10,000	10,000	-
County Audit Budget Account	26,530	659	25,871
Drug Court	25,000	15,310	9,690
Free Fair Budget Account	10,000	9,873	127
Total Expenditures, Budgetary Basis	<u>1,454,032</u>	<u>1,322,989</u>	<u>131,043</u>
Excess of Receipts and Beginning Cash			
Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	180,534	<u>\$ 180,534</u>
Operating Transfers:			
Operating Transfers In		125,000	
Operating Transfers Out		(125,000)	
Net Operating Transfers		<u>-</u>	
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		74,577	
Add: Current Year Encumbrances		36,476	
Ending Cash Balance		<u>\$ 291,587</u>	

**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, 2013**

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 435,947	\$ 435,947	\$ -
Less: Prior Year Encumbrances	(79,295)	(68,801)	10,494
Beginning Cash Balances, Budgetary Basis	356,652	367,146	10,494
Receipts:			
Ad Valorem Taxes	202,799	221,397	18,598
Charges for Services	4,686	3,071	(1,615)
Intergovernmental	-	2	2
Miscellaneous	-	167	167
Total Receipts, Budgetary Basis	207,485	224,637	17,152
Expenditures:			
Health and Welfare	564,137	291,851	272,286
Total Expenditures, Budgetary Basis	564,137	291,851	272,286
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	299,932	\$ 299,932
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		62,623	
Add: Current Year Outstanding Warrants		14,717	
Ending Cash Balance		\$ 377,272	

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

	Beginning Cash Balances July 1, 2012	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2013
Remaining Aggregate Funds:				
Resale Property	\$ 25,629	\$ 36,631	\$ 10,371	\$ 51,889
CDBG Home/Water Grant	1,642	5,208	6,250	600
CDBG CIP Grant	600	-	-	600
Sheriff DARE	2,466	1,865	191	4,140
Sheriff Trash Cop Grant	8	-	-	8
Treasurer Mortgage Certification Fee	7,857	1,173	-	9,030
County Clerk Lien Fee	91,905	33,233	59,809	65,329
JAI Block Grant	702	-	-	702
Juvenile Donations	464	-	-	464
SODA HOME - OHFA	3,233	-	-	3,233
SO-5 Assessor	8,900	4	-	8,904
SO-6 Assessor	12,138	2,133	4,190	10,081
REAP Park and Fair Grounds	2,008	-	-	2,008
REAP Library Grant	1,177	-	-	1,177
Coal County Library Project Fund	139	-	-	139
Hazard Mitigation	2,500	-	-	2,500
CDBG Health Clinic	480	-	-	480
Emergency Management	19,790	25,736	13,582	31,944
CCFFA Fire	2,226	-	-	2,226
Local Emergency Planning	9,697	-	1,334	8,363
Drug Court Money	41,841	43,139	51,191	33,789
911 Grant	5,624	5,538	8,586	2,576
MD4 Cash Donation Health	8,311	-	2,963	5,348
911 Phone Collections	104,765	62,099	107,296	59,568
Lodging Tax	4,698	3,836	-	8,534
Combined Total - Remaining Aggregate Funds	\$ 358,800	\$ 220,595	\$ 265,763	\$ 313,632

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

1. Budgetary Schedules

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

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

2. Remaining County Funds

Remaining aggregate funds as presented on the financial statement are as follows:

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

CDBG Home/Water Grant – accounts for federal grant monies received and disbursed for the establishment of a rural water department, as restricted by the grant agreement with the Oklahoma Department of Commerce.

CDBG CIP Grant – accounts for federal grant monies received and disbursed to create a County Improvement Plan, as restricted by the grant agreement with the Oklahoma Department of Commerce.

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

Sheriff Trash Cop Grant – accounts for grant monies received and disbursed for the prevention and investigation of illegal trash dumping, as restricted by the grant agreement.

Treasurer Mortgage Certification Fee – accounts for the collection of fees by the County 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.

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

JAI Block Grant – accounts for federal grant monies received and disbursed for the oversight of community service, 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 federal grant monies received and disbursed for the construction of homes, 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 County 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 Fair Grounds – accounts for state grant monies received and disbursed for the construction of a fair barn, as restricted by the Rural Economic Action Plan grant agreement for the parks and fairgrounds.

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

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

Hazard Mitigation – accounts for state and federal grant monies received and disbursed for the creation of a Hazard Mitigation Plan, as restricted by the grant agreement with Homeland Security.

CDBG Health Clinic – accounts for federal grant monies received and disbursed to purchase land and construct a new health clinic, as restricted by the grant agreement with the Oklahoma Department of Commerce.

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

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

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

Drug Court Money – accounts for federal grant monies, donations, and fees from participants for the operation of the court.

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

911 Grant – accounts for grant monies received and disbursed to establish a county-wide 911 service, as restricted by the grant agreement with the Oklahoma Department of Commerce and the Southern Oklahoma Development Association.

MD4 Cash Donation Health – accounts for the collection of grant monies to be disbursed for the general operations of the county health department.

911 Phone Collections – accounts for the collection of an emergency telephone fee collected by local service providers for the operation of the enhanced emergency telephone system.

Lodging Tax – accounts for the excise tax collected on lodging to be used for the promotion and development of tourism in Coal County.

INTERNAL CONTROL AND COMPLIANCE SECTION



Oklahoma State Auditor & Inspector

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

TO THE OFFICERS OF
COAL COUNTY, OKLAHOMA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined total—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Coal County, Oklahoma, as of and for the year ended June 30, 2013, which comprises Coal County's financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated August 18, 2015.

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

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses: 2013-1, 2013-5, 2013-6, 2013-7, 2013-8, and 2013-20.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies: 2013-2, 2013-3, 2013-4, 2013-11, and 2013-23.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Coal County's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2013-20.

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

Coal County's Responses to Findings

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

Purpose of this Report

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

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



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

August 18, 2015

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

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

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

Condition: Through the process of gaining an understanding of the County’s internal control structure, it was noted that county-wide controls, in relation to financial reporting, regarding Control Environment, Risk Assessment, Information and Communication, and Monitoring have not been designed and implemented. The County, as a whole, does not formally address procedures related to the collection and disbursement of county funds.

Cause of Condition: The County was not fully aware of the benefits gained by the implementation of procedures regarding control environment, risk assessment, information and communication, and monitoring as it relates to the strengthening of its internal control structure.

Effect of Condition: Without an adequate system of county-wide controls, there is risk of a breakdown in control activities which could result in unrecorded transactions, undetected errors, or misappropriation of funds.

Recommendation: The Oklahoma State Auditor and Inspector’s Office (OSAI) recommends that the County design and implement a system of county-wide internal controls procedures to identify and address risks related to financial reporting and to ensure that information is communicated effectively. OSAI also recommends that the County design monitoring procedures to assess the quality of performance of control activities over time. These procedures should be written policies and procedures and could be included in the County’s policies and procedures handbook.

Management Response:

County Commissioner District 1: Coal County will design and implement a system of county-wide internal control procedures.

County Commissioner District 2: We will meet quarterly and discuss procedures to identify and address risks that are related to financial reporting, as well as monitoring procedures.

County Commissioner District 3: The County will design and implement a system of county-wide internal control procedures.

County Clerk: I will work with the other county officials to design and implement county-wide controls to help manage risks.

County Treasurer: I will get with the other county officials to talk about control issues.

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

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 Control Environment, Risk Assessment, Information and Communication, and Monitoring for the achievement of these goals.

The control environment sets the tone of an entity and influences the control consciousness of its people. The control environment is the foundation for all other components of internal control and provides structure and discipline. Among the important elements of the control environment are the attitude, awareness, and actions of management, as well as those charged with governance, concerning internal control.

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.

Information and Communication is a component of internal control which should provide for a county to run and control its operations. A county must have relevant, reliable information, both financial and nonfinancial. The information should be recorded and communicated to management and other within the county who need it and in a form and within a time frame that enables them to carry out their internal control and operational responsibilities. In addition, the county needs to make sure that the forms of communication are broad-based and that information technology management assures useful, reliable, and continuous communications.

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 and control monitoring part of their regular operating processes. Proper monitoring will ensure that controls continue to be adequate and to function properly.

Finding 2013-2 – Disaster Recovery Plan (Repeat Finding)

Condition: The offices of County Treasurer, County Clerk, County Assessor, County Sheriff, Court Clerk, County Commissioner District 1, 2, and 3 do not have written Disaster Recovery Plans.

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

Cause of Condition: Policies and procedures had not been designed and implemented to develop a Disaster Recovery Plan for all county offices.

Effect of Condition: The failure to have a current formal Disaster Recovery Plan for all areas could result in the County being unable to function in the event of a disaster. The lack of a formal plan for each area could cause significant problems in ensuring that county business could continue uninterrupted.

Recommendation: OSAI recommends that each of the county offices develop a Disaster Recovery Plan that addresses how critical information and systems within their offices would be restored in the event of a disaster. The Disaster Recovery Plan should include the following:

- Current names, addresses, contact numbers of key county personnel and their roles and responsibilities of information services function.
- Listing of contracted service providers.
- Information on location of key resources, including back-up site for recovery operating system, application, data files, operating manuals and program/system/user/documentation.
- Alternative work locations once IT resources are available.

In addition, OSAI recommends that all Disaster Recovery Plans be updated yearly and distributed to key personnel. To safeguard the document in times of disaster, a copy should be stored in a secure off-site location.

Management Response:

County Commissioner District 1: Each office will prepare their own written Disaster Recovery Plan.

County Commissioner District 2: District 2 is in the process of developing a written Disaster Recovery Plan.

County Commissioner District 3: We will start immediately for each office to have and maintain a Disaster Recovery Plan.

County Clerk: I will develop a written Disaster Recovery Plan for the County Clerk's office.

County Treasurer: I will develop a written Disaster Recovery Plan for the Treasurer's office.

County Assessor: I have been aware of this problem since last year's audit. I did not have a template to go by, but should have inquired about one. I have just completed one for the 2014 audit. I have filed it with the County Clerk and all of my staff and I have one. My First Deputy and I will also keep one filed off-site.

County Sheriff: As of July 2, 2014, the Coal County Sheriff's office has completed guidelines for our Disaster Recovery Plan.

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

Court Clerk: I have begun my Disaster Recovery Plan and when completed I will give a copy to the Coal County Commissioners for approval. Upon approval, I will deliver copies to the appropriate individuals.

Criteria: An important aspect of internal control is the safeguarding of assets which includes adequate Disaster Recovery Plans. 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 in a county being unable to function in the event of a disaster. Disaster Recovery Plan(s) are an integral part of county operations to ensure that business can continue as usual in the event of a disaster. Each office or the county as a whole should have a current, detailed Disaster Recovery Plan on file and should be aware of its content.

According to the standards of the Information Systems Audit and Control Association (CobiT, Deliver and Support 4), information services function management should ensure that a written Disaster Recovery Plan is documented and contains guidelines and instructions for the county to follow in the event of a disaster.

Finding 2013-3 – Inadequate Internal Controls Over Information Systems Security – County Treasurer and County Clerk (Repeat Finding)

Condition: Upon review of the computer systems within the offices of the County Treasurer and County Clerk, it was noted that there does not appear to be adequate controls in place to safeguard data from unauthorized modification, loss, or disclosure. The following was noted:

- The County Clerk and County Treasurer's computers and software systems do not require the employee to use a password of at least eight characters in length and passwords are not required to be changed periodically.

Cause of Condition: Policies and procedures have not been designed and implemented to address security for the computers, computer programs, and data.

Effect of Condition: This condition could result in compromised security for the computers, computer programs, and data.

Recommendation: OSAI recommends the County Treasurer and County Clerk implement internal control policies and procedures over information technology to include the following:

- Setup password requirements for length, character, and an expiration of a minimum of at least every 90 days.

Management Response:

County Clerk: I will develop and implement a policy regarding criteria for passwords to eliminate security threats to the County Clerk's software programs.

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

County Treasurer: We do have passwords, but I was never told that they should be at least eight characters long. We plan on making our passwords eight characters and changing them periodically.

Criteria: According to the standards of the Information Systems Audit and 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 business impact of security vulnerabilities and incidents.

Finding 2013-4 – Inadequate Internal Controls Over Information Systems – County Treasurer (Repeat Finding)

Condition: The County Treasurer’s office does not have any mitigating controls to reduce the high risk associated with the lack of adequate internal controls within the County’s financial/bookkeeping software.

Cause of Condition: The County Treasurer was not aware of the lack of adequate internal controls within the software.

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

Recommendation: OSAI recommends the County Treasurer implement mitigating controls regarding the County’s financial/bookkeeping software such as maintaining all receipts and daily totals/reports in a secure location with limited access. In addition, OSAI recommends software updates be implemented upon availability.

Management Response:

County Treasurer: We changed our financial/bookkeeping software program in fiscal year 2015.

Criteria: According to the standards of the Information Systems Audit and Control Association (CobiT, Deliver 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 business impact of security vulnerabilities and incidents.

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

Finding 2013-5 – Inadequate Segregation of Duties Over Receipting and Balancing Processes – County Treasurer (Repeat Finding)

Condition: The following duties performed in the County Treasurer’s office are not properly segregated: issuing receipts, preparing deposits, and reconciling bank statements. The County Treasurer has implemented a few mitigating controls. After evaluating the mitigating controls that have been implemented, the following weaknesses still exist:

- The duties of balancing the cash drawer and preparing the deposit are performed by the same employee.
- Monthly bank reconciliations are performed; however the reconciliations are not signed by the preparer and there is no documentation evidencing review by someone other than the preparer.
- Daily reports are being signed by the preparer, but are not initialed by the reviewer and there are no tic marks of any kind evidencing verification of the daily report to documentation in the daily jacket.
- The amount encoded by the bank on the deposit receipt is agreed to the deposit slip; however, the amount encoded by the bank is in total and does not denote the cash amount separately.
- All employees issue receipts and have administrator rights to void/delete receipts. Approval is required by the County Treasurer, but there is no evidence of approval being documented.

The following items, when evaluated with the weaknesses noted above, further weaken the controls in place regarding the collections process:

- All employees work from two cash drawers, except for one part-time employee that works mainly during heavy tax collection season and only issues ad valorem receipts.
- A mail log is maintained for collections, but it does not include check numbers and amounts received.

Cause of Condition: Although the County Treasurer has worked to implement internal controls over the collections process, there are still weaknesses that should be addressed to safeguard funds and ensure accurate financial reporting.

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

Recommendation: OSAI recommends the County Treasurer implement the following compensating controls to mitigate the risks involved with a concentration of duties:

- The duties of balancing the cash drawer and preparing the deposit should be segregated.
- Bank reconciliations should be signed and dated by the preparer and the reviewer.
- Daily reports should be signed and dated by the preparer and the reviewer. In addition, tic marks should be used evidencing verification of the daily report to documentation in the daily jacket.
- Additional documentation should be obtained on the deposit receipt from the bank indicating amounts deposited for cash. The amounts encoded on the receipt (cash and total deposit) should

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

be agreed to deposit records by someone other than the person who delivered the deposit to the bank.

- Voided/deleted receipts should contain explanations and reflect evidence of review with initials and dates.

The Treasurer could further strengthen internal controls by implementing the following procedures:

- Establish separate cash drawers for all employees receiving cash.
- In the preparation of the mail log, check numbers and amounts also need to be maintained.

Management Response:

County Treasurer:

- We only have two full-time employees so we do what we need to do to get the job done.
- We will sign and check over each other's reconciliations.
- We will start signing and using tic marks on the Daily Reports.
- We checked with the bank to see if they can encode the cash amount on our receipts as we were told that they can only encode the total dollar amount. This amount will be agreed to deposit records.
- We will sign and state reason for voided receipts.
- I cannot afford a cash drawer for every employee and we have to work with what we have.
- We have started including check numbers and amounts on our mail log.

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 receipting collections, delivering deposit, and maintaining financial ledgers/reconciliations should be segregated.

Finding 2013-6 – Inadequate Segregation of Duties Over the Purchasing Process (Repeat Finding)

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

Cause of Condition: Policies and procedures have not been designed and implemented with regard to segregation of duties of the purchasing process.

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

Recommendation: OSAI recommends management be aware of this condition 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.

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

Management Response:

County Clerk: I will develop policies and procedures to address segregation of duties regarding the County's purchasing process.

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.

Finding 2013-7 – Inadequate Segregation of Duties Over the Payroll Process (Repeat Finding)

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

- The First Deputy enrolls new employees, maintains personnel files, enters payroll information, prints verification reports, and distributes payroll.
- The County Clerk reviews the First Deputy's verification report of payroll, but does not initial and date it as evidence of review.

Cause of Condition: Policies and procedures have not been designed and implemented with regard to segregation of duties and/or compensating internal controls over the payroll process.

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

Recommendation: OSAI recommends management be aware of these conditions and determine if duties can be properly segregated. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risks involved 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.

Management Response:

County Clerk: I will work to develop policies that address segregation of duties regarding the payroll process.

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.

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

Finding 2013-8 – Reconciliation of Appropriation Ledger to General Ledger (Repeat Finding)

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

Cause of Condition: Policies and procedures have not been designed and implemented regarding a monthly reconciliation of the County Clerk's appropriation ledger to the County Treasurer's general ledger.

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

Recommendation: OSAI recommends that the County Clerk's appropriation ledger be reconciled monthly to the County Treasurer's general ledger. The reconciliation should be reviewed and approved by someone other than the preparer and documentation of the reconciliation should be maintained.

Management Response:

County Clerk: The County Treasurer and I will reconcile monthly.

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.

Finding 2013-11 – Conflict of Interest – Purchases from Excise Board Member (Repeat Finding)

Condition: During fiscal year 2013, the County did business with a local establishment owned by a County Equalization/Excise Board member. Disbursements for the year totaled \$8,116.29.

On December 3, 2012, the Equalization/Excise Board member resigned.

Cause of Condition: Policies and procedures to ensure compliance with state statutes have not been adequately implemented.

Effect of Condition: This condition resulted in noncompliance with state statutes and could result in misappropriation of funds.

Recommendation: OSAI recommends the County design and implement policies and procedures to ensure compliance with state statutes.

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

Management Response:

Chairman, Board of County Commissioners: This problem has been taken care of and we will watch closely so it does not happen again.

Criteria: An aspect of internal controls is the safeguarding of assets. Internal controls over safeguarding of assets constitute a process, affected by the entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the entity's assets and safeguarding assets from loss, damage, or misappropriation.

Title 68 O.S. § 2861(G) and 68 O.S. § 3005.1(B) states in part, "it shall be unlawful for any member of the county equalization or excise board to sell or contract to sell, or to lease or contract to lease, or to represent any person, firm, corporation or association in the sale or the lease of any machinery, supplies, equipment, material, or other goods, wares, or merchandise to any county or city or town of the county."

Finding 2013-20 – Inadequate Internal Controls Over Purchasing and Noncompliance with State Statutes (Repeat Finding)

Condition: Our test of sixty-nine purchase orders reflected the following noncompliance with regard to purchasing statutes:

- Twelve were not timely encumbered.
- Four did not have a receiving report attached.
- Authorized amounts on two blanket purchase orders were exceeded and a written explanation was not attached.
- One disbursement was not charged to the proper period.

In addition, purchase orders issued from the EMS accounts are requisitioned by the Coalgate City Manager. The Coalgate City Manager is not on the list of appointed requisition officers that were entered in the minutes of the Board of County Commissioners and is not a County employee. Also, the requisitioning officer for Drug Court was not approved by the Board of County Commissioners and is not an employee of the County.

Cause of Condition: The County did not follow the policies and procedures designed by state statutes regarding the purchasing process.

Effect of Condition: This condition resulted in noncompliance with state statutes, laws, regulations or legislative intent, and could result in inaccurate records, incomplete information, or a misappropriation of assets.

Recommendation: OSAI recommends management implement procedures to ensure compliance with purchasing statutes. Purchase orders should be requisitioned by an appointed requisition officer who is a

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

County employee, encumbered before goods or services are ordered, and proper supporting documentation should be maintained. In addition, the maximum authorized amount of a blanket purchase order may be increased to cover unforeseen expenses; however, a written explanation must be attached to the blanket purchase order prior to payment.

Management Response:

County Commissioner District 1: District 1 will follow proper purchasing procedures and discuss with all receiving officers about attaching and turning in all required paperwork.

County Commissioner District 2: We will strive to be in compliance with purchasing statutes in the future.

County Commissioner District 3: We will follow all purchasing policies and procedures.

County Clerk: The purchasing office will maintain a list of authorized requisitioning and receiving officers for all departments and check periodically to ensure those authorized persons are the signatories on the statutory forms. Also, the purchasing office will work to train departments to timely encumber and provide proper documentation for purchase order approval. If a blanket purchase order exceeds the encumbered amount, the purchasing office will require the department to document the reason before it is approved for payment.

County Sheriff: In the future, I will ensure all purchase orders are properly encumbered.

Criteria: Effective internal controls require that management properly implement procedures to ensure that purchases are made in compliance with 19 O.S. § 1505 and with 62 O.S. § 310.8 with regard to blanket purchase orders.

Finding 2013-23 – Inadequate Internal Controls Over Accrued Leave Balances

Condition: It was brought to our attention that two employees at District 1 were paid a salary, but were not at work. OSAI reviewed the employees' timesheets to determine their hours worked. Both employees' timesheets give the appearance that they had worked their regular hours.

The County Clerk stated that both employees were being paid their unused accrued compensatory (comp) time. One employee was paid 372 hours of accrued comp time and the other employee was paid 89 hours of accrued comp time. The employees' timesheets were reviewed to verify the accrued comp time earned. Their timesheets did not reflect any comp time accrued nor was the district able to provide any documentation of overtime hours to support comp time used. Additionally, one employee was able to use 372 hours of accrued comp time, but the County's personnel policy only allows employees to accrue a maximum of 240 hours comp time.

Cause of Condition: Policies and procedures have not been designed to ensure comp time records are maintained and accrual of comp time is within the limit set forth in the personnel policy handbook.

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

Effect of Condition: This condition could result in inaccurate records, incomplete information, or misappropriation of assets.

Recommendation: OSAI recommends comp time records be maintained. This information could be included on timesheets along with the other types of leave (i.e., sick, vacation). In addition, accrual amounts should be in accordance with the personnel policy.

Management Response:

County Commissioner District 1: Comp time is now being maintained on timesheets.

Chairman, Board of County Commissioners: I was not aware that this had occurred; however, currently all three Districts are maintaining comp time on timesheets.

County Clerk: Better documentation will be kept on file to ensure that payroll records match timesheets. In addition, comp time balances are now kept on the actual timesheets.

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, comp time records should be maintained and timesheets should reflect any comp time used.

The Coal County Employee Personnel Policy Handbook states, “Except in the case of law enforcement personnel, each employee can accrue up to 240 hours of compensatory time off in lieu of overtime payment. After the accrual of 240 hours of compensatory time, such employee will thereafter be paid cash payment for overtime.”

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

Finding 2013-15 – Inadequate Segregation of Duties – Court Clerk (Repeat Finding)

Condition: Upon inquiry of the Court Clerk employees and observation and test of records, we noted the following weaknesses with regard to internal controls related to the receipting process of the Court Clerk and the expenditure process over Court Fund claims:

Receipting Process:

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

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

Expenditure Process:

- The Court Clerk initiates and prepares the Court Fund claim, attaches and verifies supporting documentation to claim, certifies that goods/services were received, signs the claim along with the District Judge and prepares and signs vouchers, and reconciles the monthly and quarterly reports with the County Treasurer.

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

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

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

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

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

Management Response:

Court Clerk: Receipting: Beginning July 24, 2014, I will approve all deposit reports and initial and date them. At this time, I don't feel that separate cash drawers would be beneficial. Expenditures: Myself and one other employee will sign vouchers and the District Judge will review and sign off on quarterly reports.

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

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

Finding 2013-17 – Inadequate Internal Controls Over Voided Receipts – Court Clerk (Repeat Finding)

Condition: Upon inquiry, observation, and testing of the Court Clerk receipting/depositing processes, the following weakness was noted:

- Four of the twenty-five District Court voided receipts tested were not marked “Void.”

Cause of Condition: Policies and procedures have not been designed and implemented to ensure all voided receipts are properly marked void, to ensure accountability and stewardship over receipting process.

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

Recommendation: OSAI recommends that all voided receipts be marked “Void.” In addition, OSAI recommends management run appropriate reports to ensure all receipts are accounted for.

Management Response:

Court Clerk: I was not aware that voided receipts were not being properly marked. I made sure that Court Clerk employees now understand that all original voided receipts must have “Void” written on them.

Criteria: Accountability and stewardship are over all goals of management in the receipting process. To help ensure a proper accounting of funds, all voided receipts are to be marked “void” to reduce the risk of error or fraud.

Finding 2013-18 – Reconciliation of the Court Clerk Revolving Fund (Repeat Finding)

Condition: During our review of the reconciliation reports for the Court Clerk Revolving Fund we noted the following:

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

Cause of Condition: Management has not designed and implemented policies and procedures to ensure the Court Clerk Revolving Fund balances are reconciled to the County Treasurer’s general ledger balances.

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

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

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

Management Response:

Court Clerk: I was told by the previous auditor that I should balance with the County Clerk's ledger. However, it has been brought to my attention during the current audit that on page 3 of the Revolving Fund Report it says I should balance with the County Treasurer. Therefore, beginning 4th quarter 2013-2014, I now balance with the County Treasurer.

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.

Finding 2013-19 – Inadequate Internal Control and Noncompliance Over Court Clerk Revolving Fund Expenditures (Repeat Finding)

Condition: During our test of warrants/vouchers issued from the Court Clerk Revolving Fund, the following was noted:

Court Clerk Revolving Fund:

- One of ten disbursements did not have proper documentation.
- Nine of ten disbursements were approved by the Board of County Commissioners rather than the officers of the court.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure all claims have proper documentation attached and are properly approved.

Effect of Condition: These conditions resulted in noncompliance with state statutes and could result in inappropriate expenditures that are not for the lawful operation of the Court Clerk's office.

Recommendation: OSAI recommends the Court Clerk Revolving Fund expenditures be approved in accordance with state statutes. Furthermore, we recommend that all supporting documentation be attached to the claim.

Management Response:

Court Clerk: I have no excuse for not checking claims to make sure they have the Judge's signature. I will check each one from now on.

Criteria: Effective accounting procedures are necessary to ensure the stewardship and accountability of public funds. An important aspect of effective accounting procedures includes maintaining detailed supporting documentation for expenditures.

Title 19 O.S. § 220 sets forth procedures regarding the Court Clerk's Revolving Fund and states in part, "...payment may be made after the claim is approved by the court clerk

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

and either the district or the associate district judge of the county. The monies shall be reported quarterly to the Administrator of the Courts.”

Finding 2013-22 – Inadequate Internal Controls and Noncompliance Over Bids Procedures (Repeat Finding)

Condition: During the course of our audit it was brought to our attention that District 1 Commissioner hired a vendor for hauling material, but the vendor was not on the six-month bid. During our examination of purchase orders issued to vendors for hauling material, we noted that District 1 and District 2 Commissioner used vendors for hauling materials that had not been awarded the bid.

Cause of Condition: The County did not follow the policies and procedures designed by the state statutes regarding the bidding and purchasing process.

Effect of Condition: These conditions resulted in noncompliance with statutes, laws, regulations or legislative intent and could result in inaccurate records, incomplete information, or misappropriation of assets.

Recommendation: OSAI recommends management implement procedures to ensure compliance with purchasing statutes.

Management Response:

County Commissioner District 1: I was not familiar with the proper procedure when I took office after the previous Commissioner’s retirement. In the future I will follow proper procedure and use vendors that were awarded the six-month bid.

County Commissioner District 2: The awarded vendor may not have been available to provide the service. In the future, documentation will be provided to specify the reason why the awarded vendor was not used.

Criteria: An aspect of internal controls is the safeguarding of assets. Internal controls over safeguarding of assets constitute a process, affected by the entity’s governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the entity’s assets and safeguarding assets from loss, damage, or misappropriation.

Title 19 O.S. § 1505B.5 states in part, “The county purchasing agent shall prepare and maintain a vendors list specifying the successful bidders and shall notify each county officer of the list ... If a vendor who is the low bidder cannot or will not sell goods or services as required by a county bid contract, the county purchasing agent may purchase from the next low bidder or take quotations as provided in paragraph 6 of this subsection, provided, however, such purchase does not exceed Ten Thousand Dollars (\$10,000.00)...”

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

Finding 2013-24 – Inadequate Internal Controls and Noncompliance Over Fixed Assets Inventory (Repeat Finding)

Condition: Upon inquiry and observation of fixed assets inventory items we noted the following weaknesses:

- The offices of the County Clerk, County Sheriff, Court Clerk, County Treasurer, District 1, District 3, OSU Extension, Election Board, Courthouse, Solid Waste and Emergency Management have not designed procedures to perform and document an annual physical inventory of all fixed assets.
- Inventory lists for the offices of the Court Clerk, Courthouse, District 2, District 3, and Solid Waste do not appear to be complete, accurate, and up to date.
- The Court Clerk, Clarita Fire Department and Coalgate Fire Department do not maintain and file an inventory list with the County Clerk.
- Districts 1 and 3 maintain an inventory list, but they do not file it with the County Clerk.

In addition, when visually verifying equipment, the following was noted:

County Clerk:

- Four of four items selected were not properly marked with a county identification number.

County Treasurer:

- Four of four items selected were not properly marked with a county identification number.

County Sheriff:

- One of four items selected was not properly marked “Property of Coal County.”

Emergency Management:

- Three of four items selected were not properly marked with a county identification number.
- One of four items selected was not properly marked “Property of Coal County.”

Court Clerk:

- One of one item selected was not properly marked with a county identification number.

Health Department:

- One of four items selected was not properly marked with a county identification number.

District 1 Commissioner:

- One of ten items selected was not properly marked “Property of Coal County.”

District 2 Commissioner:

- Two of ten items selected was not properly marked “Property of Coal County.” One of these items is the County vehicle driven by District 2 Commissioner.

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

District 3 Commissioner:

- One of ten items selected was not properly marked “Property of Coal County.”

Election Board:

- Four of four items selected were not properly marked with a county identification number.

OSU Extension:

- Four of four items selected were not properly marked with a county identification number.

Courthouse:

- One of one item selected was not properly marked with a county identification number.

Clarita Fire Department:

- Two of two items selected were not properly marked with a county identification number.

Coalgate Fire Department:

- Two of two items selected were not properly marked with a county identification number.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure compliance with state statutes regarding maintaining and properly identifying fixed assets.

Effect of Condition: When fixed assets are not monitored and equipment is not properly marked with identification numbers and “Property of,” opportunities for misuse or loss of equipment can occur. Additionally, these conditions resulted in noncompliance with state statutes.

Recommendation: OSAI recommends management implement internal controls to ensure compliance with Title 19 O.S. § 178.1, 19 O.S. § 1502(A)(1), 19 O.S. § 1502(B)(1), and 69 O.S. § 645.1 by maintaining inventory records and marking assets with county identification numbers and “Property of Coal County.” OSAI additionally recommends that periodic fixed assets inventory verifications be conducted and documented with the initials and date of the employees conducting and reviewing the verification.

Management Response:

County Commissioner District 1: In the future I will file inventory with the County Clerk, make sure equipment is properly marked, and perform an annual inventory count.

County Commissioner District 2: We will ensure that inventory is complete and accurate. We will also ensure assets are marked with county identification numbers and “Property of Coal County.”

County Commissioner District 3: We will perform an annual inventory and ensure complete and accurate inventory is filed with the County Clerk. We will also ensure that all county equipment is properly marked. The fire departments will be instructed to maintain inventory records and mark assets with county identification numbers.

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

County Clerk: Inventory will be properly marked with identification numbers and an annual fixed assets summary will be conducted to ensure compliance.

County Treasurer: I will put county identification numbers on equipment and will fill out form yearly and file with the County Clerk.

County Sheriff: We are in the process of making a correct and updated inventory list.

Court Clerk: All county owned equipment will be visually verified annually and filed in the County Clerk's office. In addition, all county equipment will be properly marked.

Emergency Management: In July of each year, we will perform a physical inventory. In addition, we will ensure that all assets are properly marked.

Election Board: A current inventory has been performed and is documented. All inventory has been properly marked with county identification numbers.

Health Department: This has been corrected and the equipment is now marked.

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

Finding 2013-25 – Inadequate Internal Controls and Noncompliance Over Consumable Inventory (Repeat Finding)

Condition: Upon inquiry and observation of the recordkeeping processes regarding consumable inventories, the following was noted:

- District 1 and District 3 do not maintain fuel logs for auxiliary tanks; therefore, records are not maintained to verify fuel is used only for the operation of the District.
- District 3 does not use transfer documents for consumable items.

Cause of Condition: Policies and procedures have not been designed and implemented for the accurate reporting of consumable inventories.

Effect of Condition: These conditions could result in inaccurate records, unauthorized use of consumable inventories, or loss of consumable inventories.

Recommendation: OSAI recommends management implement internal controls to ensure compliance with 19 O.S. § 1504A. These controls would include:

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

- Maintaining a fuel log with all pertinent information including a current balance.
- Reconciling fuel log periodically to fuel on hand and explain any variance or adjustments.
- Using transfer documents to document the location of consumable items.

Management Response:

County Commissioner District 1: I will maintain a log to monitor usage on fuel tanks.

County Commissioner District 3: We will begin maintaining a fuel log and also use transfer documents for consumable items.

Criteria: Effective internal controls include designing and implementing procedures to ensure that all supplies, materials, and equipment received, disbursed, stored and consumed by their department comply with 19 O.S. § 1504A.



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