

COUNTY AUDIT

# CRAIG COUNTY

For the fiscal year ended June 30, 2010



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



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

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

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



# Oklahoma State Auditor & Inspector

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

December 12, 2012

TO THE CITIZENS OF  
CRAIG COUNTY, OKLAHOMA

Transmitted herewith is the audit of Craig County, Oklahoma for the fiscal year ended June 30, 2010. The audit was conducted in accordance with 19 O.S. § 171.

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

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

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

Sincerely,

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

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

**CRAIG COUNTY, OKLAHOMA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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**CRAIG COUNTY, OKLAHOMA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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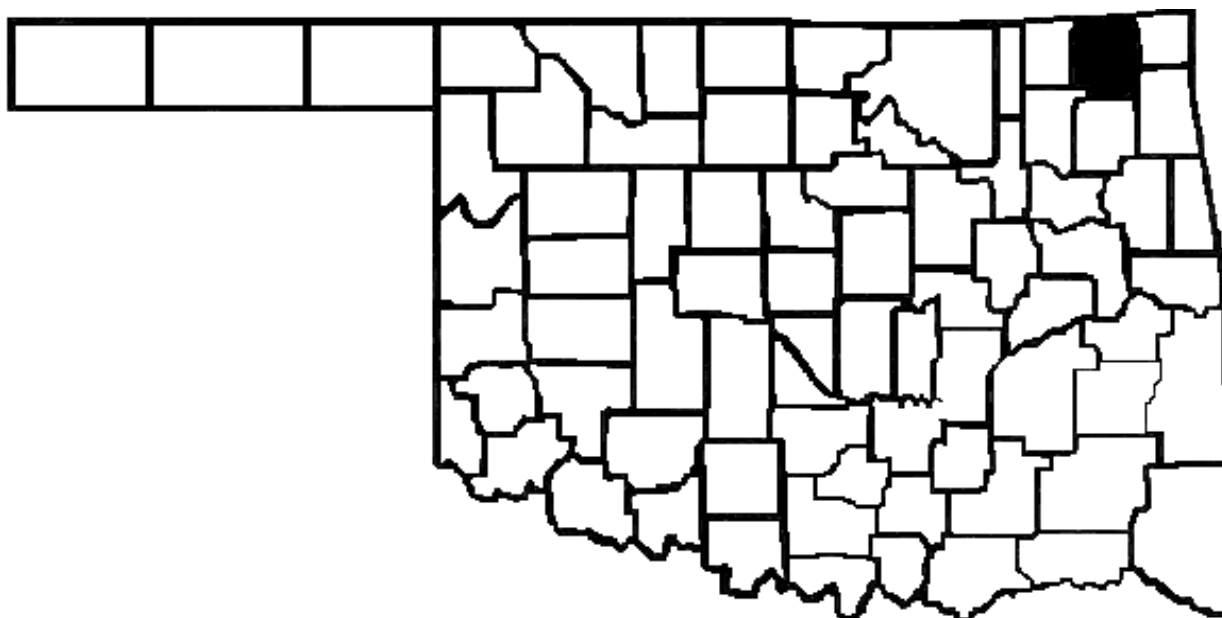
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PRESENTED FOR INFORMATIONAL PURPOSES ONLY**

**CRAIG COUNTY OFFICIALS  
STATISTICAL INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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Located in northeastern Oklahoma near Grand Lake, Craig County was created at statehood and named for Granville Craig, a prominent Cherokee; this area was part of the Cherokee Nation.

Vinita, the county seat, was once called both Downingville and The Junction and was established in 1891 at the junction of the Missouri, Kansas, and Texas Railroad (KATY) and the Atlantic and Pacific Railroad, (later the Frisco), the first rail lines to enter Oklahoma. Craig County has long been a livestock producing area with cattle ranches located throughout.

The industrial base of Vinita has been expanded to include everything from manufacturing of towers to micro connectors. As headquarters of the Grand River Dam Authority, Craig County is also the site of the Kansas, Arkansas, Oklahoma Electric Power Distributor, and the Northeast Oklahoma Electric Cooperative.

Annual events include the original Will Rogers Memorial Rodeo in August, the Calf Fry Festival in September, and Oktoberfest.

The *Craig County Book* and others offer more information, or call the County Clerk's office at 918/256-2507.

County Seat – Vinita

Area – 762.71 Square Miles

County Population – 15,195  
(2007 est.)

Farms – 1,359

Land in Farms – 457,292 Acres

Primary Source: Oklahoma Almanac 2009-2010

**CRAIG COUNTY OFFICIALS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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**Board of County Commissioners**

District 1 – Roy Bible  
District 2 – Hugh Gordon  
District 3 – Dan Peetoom

**County Assessor**

Kelli Beisly-Minson

**County Clerk**

Tammy Malone

**County Sheriff**

Jimmie Sooter

**County Treasurer**

Lisa Washam

**Court Clerk**

Mary Denny

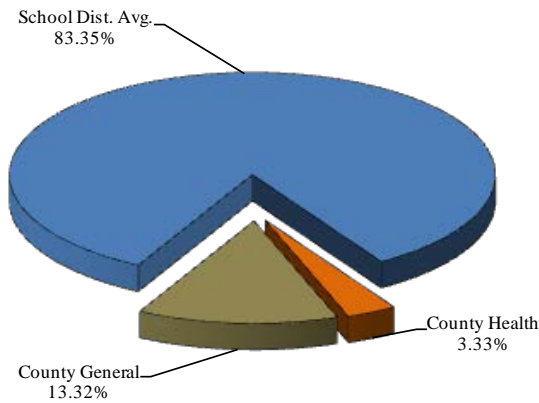
**District Attorney**

Gene Haynes



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

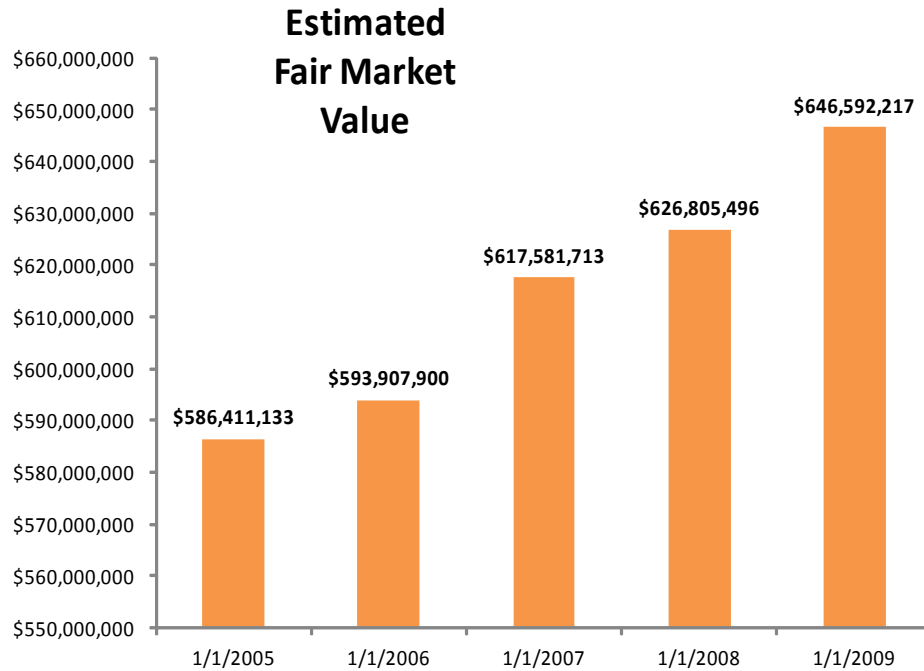
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the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



County-Wide Millages		School District Millages							
						Career			
			Gen.	Bldg.	Skg.	Tech	EMS	Common	Total
County General	10.37								
County Health	2.59	White Oak	I-1	38.45	5.49		11.37	4.099	59.41
		Chelsea	I-3	37.14	5.31	19.10	11.37	4.099	77.02
		Cleora	D-6	35.44	5.06		11.37	3.00	58.97
		Ketchum	I-6	36.01	5.14	3.08	11.37	4.099	59.70
		Welch	I-17	35.66	5.09	15.91	11.37	4.099	72.13
		Bluejacket	I-20	36.99	5.28		11.37	4.099	57.74
		Afton	I-26	36.82	5.26		11.37	4.099	57.55
		Vinita	I-65	36.08	5.15	19.70	11.37	4.099	76.40

**CRAIG COUNTY, OKLAHOMA  
 ASSESSED VALUE OF PROPERTY  
 TREND ANALYSIS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

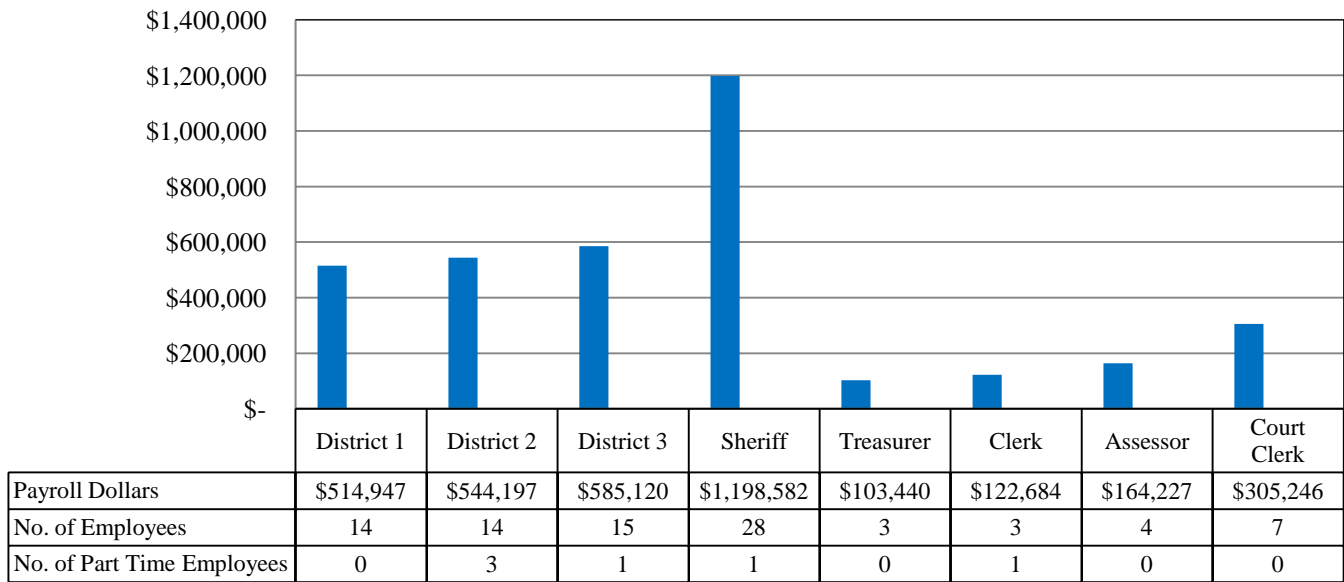
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2009	\$10,216,381	\$11,908,354	\$56,359,363	\$4,125,993	\$74,358,105	\$646,592,217
1/1/2008	\$10,957,418	\$11,161,363	\$54,070,488	\$4,106,637	\$72,082,632	\$626,805,496
1/1/2007	\$10,947,519	\$11,920,835	\$52,286,974	\$4,140,676	\$71,014,652	\$617,581,713
1/1/2006	\$11,587,606	\$13,331,030	\$50,064,196	\$3,713,884	\$71,268,948	\$593,907,900
1/1/2005	\$11,463,408	\$13,843,008	\$48,881,026	\$3,818,106	\$70,369,336	\$586,411,133



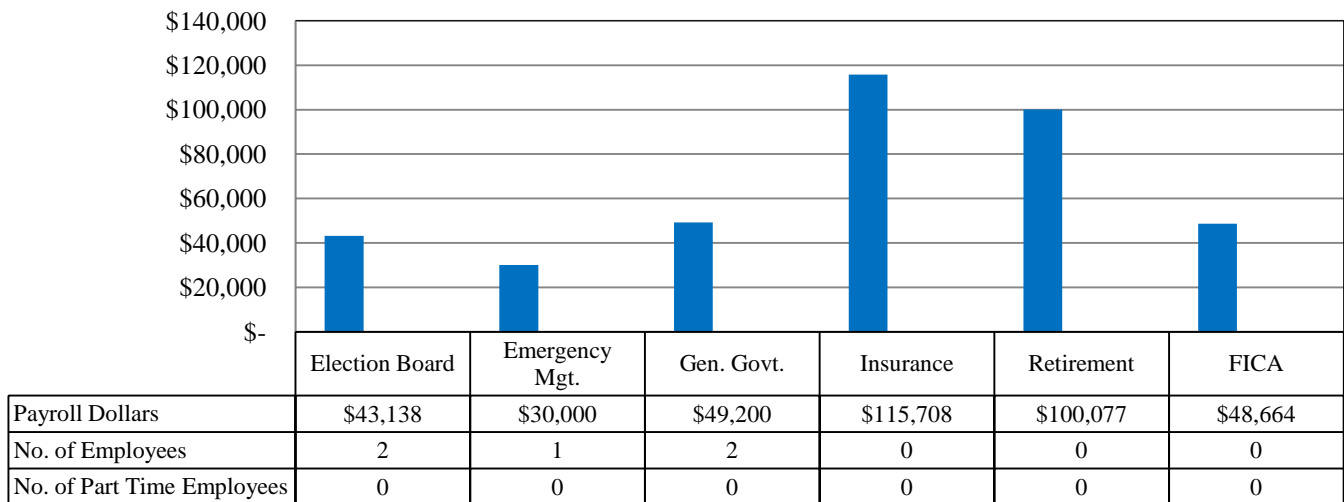
**CRAIG COUNTY, OKLAHOMA  
COUNTY PAYROLL EXPENDITURES ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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, 2010.

**Payroll Expenditures by Department**



**Payroll Expenditures by Department**

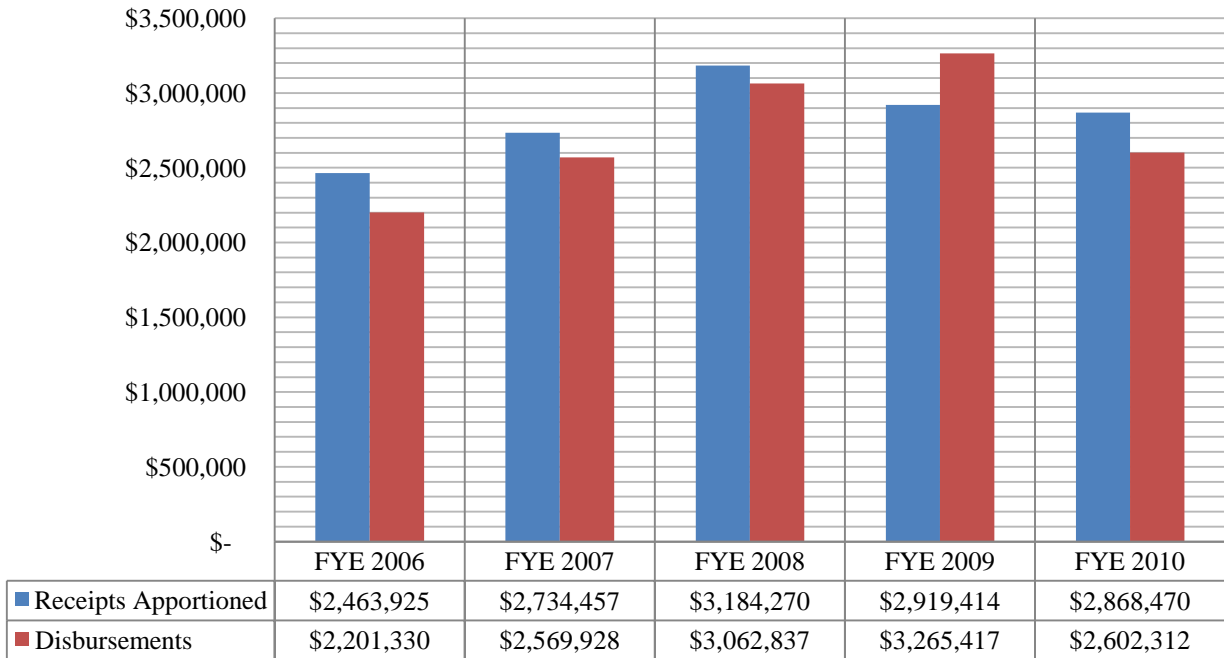


**CRAIG COUNTY, OKLAHOMA  
COUNTY GENERAL FUND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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## 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.

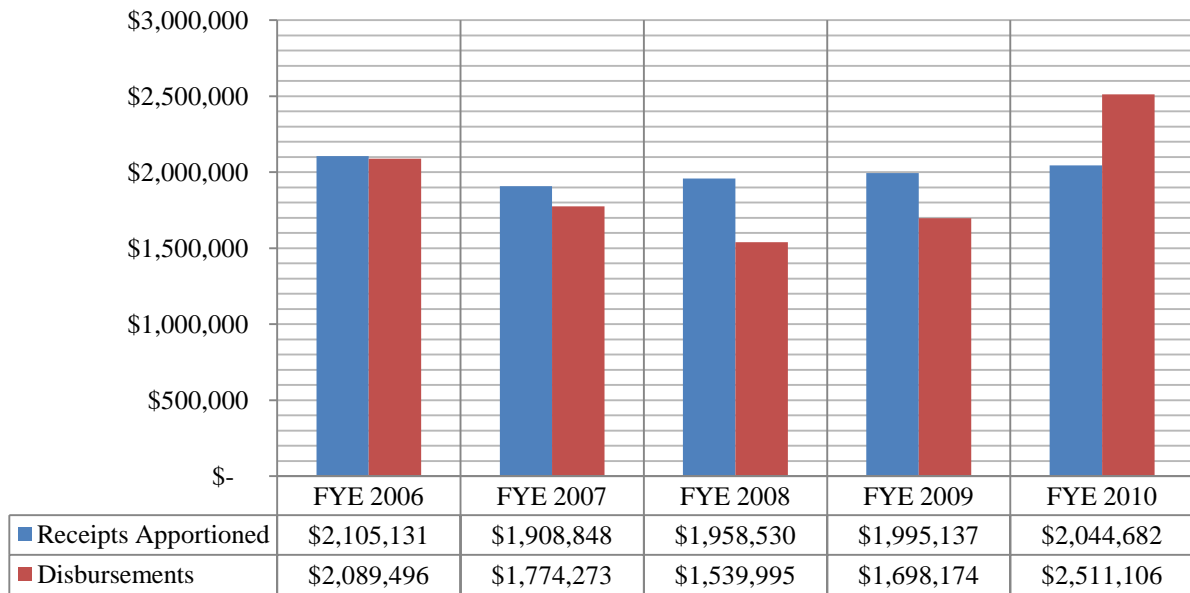


**CRAIG COUNTY, OKLAHOMA  
COUNTY HIGHWAY FUND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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## 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  
CRAIG COUNTY, OKLAHOMA

We have audited the combined total—all county funds on the accompanying regulatory basis Statement of Receipts, Disbursements, and Changes in Cash Balances of Craig County, Oklahoma, as of and for the year ended June 30, 2010, listed in the table of contents as the financial statement. This financial statement is the responsibility of Craig County's management. Our responsibility is to express an opinion on the combined total—all county funds on this financial statement based on our audit.

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

As described in Note 1, this financial statement was prepared using accounting practices prescribed or permitted by Oklahoma state law, which practices differ from accounting principles generally accepted in the United States of America. The differences between this regulatory basis of accounting and accounting principles generally accepted in the United States of America are also described in Note 1.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Craig County as of June 30, 2010, or changes in its financial position for the year then ended.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash balances for all county funds of Craig County, for the year ended June 30, 2010, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2012, on our consideration of Craig County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the combined total of all county funds on the financial statement. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statement. The remaining 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. Such supplementary information has been subjected to the auditing procedures applied in the audit of the combined total—all county funds on the regulatory basis Statement of Receipts, Disbursements and Changes in Cash Balances and, in our opinion, 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 audited by us, and accordingly, we express no opinion on it.

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

December 4, 2012



**REGULATORY BASIS FINANCIAL STATEMENT**

**CRAIG 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, 2010**

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	Beginning Cash Balances <u>July 1, 2009</u>	Receipts AppORTioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances <u>June 30, 2010</u>
Combining Information:						
Major Funds:						
County General Fund	\$ 817,221	\$ 2,868,470	\$ 12	\$ -	\$ 2,602,312	\$ 1,083,391
T-Highway	1,250,916	2,044,682			2,511,106	784,492
County Health	197,097	493,044			501,023	189,118
Sales Tax Building Cash Account	117,470	1,181,873			1,171,221	128,122
County Sinking	6	6		12		
Sheriff Service Fee Cash Account	48,698	594,007			436,998	205,707
Remaining Aggregate Funds	<u>251,513</u>	<u>305,620</u>			<u>295,305</u>	<u>261,828</u>
<b>Combined Total - All County Funds</b>	<u><u>\$ 2,682,921</u></u>	<u><u>\$ 7,487,702</u></u>	<u><u>\$ 12</u></u>	<u><u>\$ 12</u></u>	<u><u>\$ 7,517,965</u></u>	<u><u>\$ 2,652,658</u></u>

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

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

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**1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

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

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

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

**B. Fund Accounting**

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

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

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

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

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

Sales Tax Building Cash Account – accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax resolution.

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.

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

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

**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 on a regulatory basis. County governments (primary only) are required to present their financial statements on a fund basis format with, at a minimum, the general fund and all other county funds, which represent ten percent or greater of total county revenue. All other funds included in the audit shall be presented in the aggregate in a combining statement.

**D. Budget**

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

**E. Cash and Investments**

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

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.

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

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

**2. Ad Valorem Tax**

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

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

**3. Other Information**

**A. Pension Plan**

Plan Description. The County contributes to the Oklahoma Public Employees Retirement Plan (the Plan), a cost-sharing, multiple-employer defined benefit pension plan administered by the Oklahoma Public Employees Retirement System (OPERS). Benefit provisions are established and amended by the Oklahoma Legislature. The Plan provides retirement, disability, and death benefits to Plan members and beneficiaries. Title 74, Sections 901 through 943, as amended, establishes the provisions of the Plan. OPERS issues a publicly available financial report that includes financial statements and supplementary information. That report may be obtained by writing OPERS, P.O. Box 53007, Oklahoma City, Oklahoma 73105 or by calling 1-800-733-9008.

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

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

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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**

The voters of Craig County approved a one percent (1%) sales tax effective May 11, 2004. One-fourth of one percent (1/4%) sales tax shall be levied until repealed by a majority of the electors of Craig County in an election called for that purpose, and further providing that the remaining three-fourths of one percent (3/4 %) sales tax shall expire and cease to be collected on January 1, 2023. This sales tax was established to pay for acquiring, constructing, equipping, repairing, renovating, operating, and maintaining County courthouse and jail facilities of Craig County, Oklahoma; to pay the principal and interest on indebtedness incurred on behalf of said County by the Craig County Governmental Building Authority for such purpose.

The voters of Craig County approved a one percent (1%) sales tax effective for a period of five years from July 1, 2009. The revenue of said sales tax is to be designated as follows: county roads in the amount of 62.50%; emergency medical (ambulance) services in the amount of 12.50%; law enforcement in the amount of 10%; and general county operations in the amount of 15%.

**E. Special Items**

**Investigative Audit**

At the request of the District Attorney, the State Auditor and Inspector's Office conducted a special investigative audit concerning the Sheriff's Inmate Trust Account and the Sheriff's Commissary Account. The report covered the period of July 1, 2007 through January 31, 2012, and was published on October 23, 2012. The results of this audit would not have a material effect on the financial statement.

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

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**F. Interfund Transfers**

During the fiscal year ended June 30, 2010, \$12 was transferred from the County Sinking Fund to the County General Fund in accordance with 62 O.S. § 445.

**OTHER SUPPLEMENTARY INFORMATION**



**CRAIG COUNTY, OKLAHOMA**  
**COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND**  
**CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—**  
**GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 817,221	\$ 817,221	\$ -
Less: Prior Year Outstanding Warrants	(153,604)	(153,604)	-
Less: Prior Year Encumbrances	(81,447)	(81,447)	-
Plus: Prior Year Lapsed	-	21,592	21,592
Beginning Cash Balances, Budgetary Basis	<u>582,170</u>	<u>603,762</u>	<u>21,592</u>
Residual Transfer	-	12	12
Receipts:			
Ad Valorem Taxes	736,044	739,980	3,936
Charges for Services	128,202	105,188	(23,014)
Intergovernmental Revenues	1,601,979	1,829,710	227,731
Miscellaneous Revenues	103,942	193,592	89,650
Supplemental Appropriations	317,823		(317,823)
Total Receipts, Budgetary Basis	<u>2,887,990</u>	<u>2,868,470</u>	<u>(19,520)</u>
Expenditures:			
District Attorney	2,500	1,114	1,386
County Sheriff	298,172	297,426	746
County Treasurer	106,240	106,240	-
OSU Extension	40,078	36,987	3,091
County Clerk	129,440	129,219	221
Court Clerk	111,440	110,603	837
County Assessor	44,400	44,400	-
Revaluation of Real Property	176,935	159,815	17,120
Juvenile Shelter Bureau	12,500	8,016	4,484
General Government	393,213	390,660	2,553
Excise-Equalization Board	2,800	1,575	1,225
County Election Expense	48,758	47,232	1,526
Insurance	272,539	267,938	4,601
Welfare Agencies	2,250	2,250	-
Charity	1,000	485	515
Record Accounting	3,000	2,995	5
Civil Defense	38,500	38,497	3
Highway Budget Account	1,568,825	937,356	631,469

continued on next page

**CRAIG COUNTY, OKLAHOMA**  
**COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND**  
**CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—**  
**GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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	General Fund		
continued from previous page	Budget	Actual	Variance
County Audit Budget Account	14,917	6,896	8,021
Free Fair Budget Account	30,500	30,493	7
County Hospital Budget Account	18,442	18,442	-
Ambulance	151,211	144,000	7,211
Total Expenditures, Budgetary Basis	3,467,660	2,782,639	685,021
Provision for Interest on Warrants	2,500	-	2,500
Excess of Receipts and Beginning Cash			
Balances Over Expenditures, Budgetary Basis	\$ -	689,605	\$ 689,605
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		274	
Add: Current Year Outstanding Warrants		165,713	
Add: Current Year Encumbrances		227,799	
Ending Cash Balance		\$ 1,083,391	

**CRAIG COUNTY, OKLAHOMA  
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND  
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—  
COUNTY HEALTH DEPARTMENT FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 197,097	\$ 197,097	\$ -
Less: Prior Year Outstanding Warrants	(22,789)	(22,789)	-
Less: Prior Year Encumbrances	(19,453)	(19,453)	-
Plus: Prior Year Lapsed		409	409
Beginning Cash Balances, Budgetary Basis	154,855	155,264	409
Receipts:			
Ad Valorem Taxes	175,080	190,429	15,349
Charges for Services	-	120,202	-
Intergovernmental Revenues	-	182,413	-
Miscellaneous Revenues	302,615	-	(302,615)
Total Receipts, Budgetary Basis	477,695	493,044	15,349
Expenditures:			
Health and Welfare	398,800	275,879	122,921
Senior Companion - Local	51,937	44,575	7,362
Senior Companion - Federal	181,873	181,873	-
Total Expenditures, Budgetary Basis	632,610	502,327	130,283
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ (60)	145,981	\$ 146,041
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		14,505	
Add: Current Year Outstanding Warrants		28,632	
Ending Cash Balance		\$ 189,118	

**CRAIG COUNTY, OKLAHOMA**  
**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND**  
**CHANGES IN CASH BALANCES—REGULATORY BASIS—**  
**REMAINING AGGREGATE FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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	Beginning Cash Balances <u>July 1, 2009</u>	Receipts Apportioned	Disbursements	Ending Cash Balances <u>June 30, 2010</u>
Remaining Aggregate Funds:				
Sheriff Drug Enforcement	\$ 2,841	\$ 14,354	\$ 15,004	\$ 2,191
Resale Property	106,595	41,034	28,769	118,860
Assessor Fee	12,549	2,759	988	14,320
County Clerk Lien Fee	5,156	4,689	4,941	4,904
Assessor Visual Inspection	4,882		150	4,732
Mortgage Tax Certification	26,036	2,690	6,822	21,904
County Fair Board	36,157	2,908	20,486	18,579
Juvenile Transport	2,128	1,632	2,419	1,341
Record Management and Preservation	19,559	14,835	27,826	6,568
Department of Corrections-Board of Prisoners	14,397	125,398	111,313	28,482
Jail Commissary	16,023	69,352	66,562	18,813
Flood Plain Board	820	250	796	274
Craig County Emergency Management-2		9,080	5,016	4,064
Sheriff Littering Award		200		200
Rural Water District #4		15,639	3,018	12,621
Sheriff Drug Buy	2,600		500	2,100
Communications	1,770	800	695	1,875
<b>Combined Total - Remaining Aggregate Funds</b>	<u>\$ 251,513</u>	<u>\$ 305,620</u>	<u>\$ 295,305</u>	<u>\$ 261,828</u>

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

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**1. Budgetary Schedules**

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

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

**2. Remaining County Funds**

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

Sheriff Drug Enforcement – accounts for the receipt of grant money, donations, and charges for inmate phone use and is used for the operations of the Sheriff’s office in the fight of illegal drug possession and use.

Resale Property – accounts for the receipt of interest and penalties on delinquent ad valorem taxes. Disbursements are to offset the expense of collecting delinquent ad valorem taxes.

Assessor Fee - accounts for the receipt of fees charged by the County Assessor (copies, etc.). Disbursements are for any legal expense of the Assessor’s office.

County Clerk Lien Fee – accounts for the receipt of fees charged by the County Clerk for filing liens. Disbursements are for any lawful expense of the County Clerk’s office.

Assessor Visual Inspection – accounts for the receipt of fees charged to all entities receiving ad valorem taxes. Disbursements are for the expenses incurred for the re-evaluation of all county property for ad valorem purposes.

Mortgage Tax Certification – accounts for the receipt of fees for certifying mortgages. Disbursements are for any lawful expense of the Treasurer’s office.

County Fair Board - accounts for the receipt of donations and rental fees collected at all fairgrounds. Funds are spent on premiums and improvements.

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

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Juvenile Transport – accounts for the receipt of revenues received from a state grant. Disbursements are for the transportation of juveniles and to pay the deputies an hourly wage to transport the juveniles.

Record Management and Preservation – accounts for the receipt of fees charged by the County Clerk for recording instruments. Disbursements are for the maintenance and preservation of public records.

Department of Corrections – Board of Prisoners – accounts for the monies received from the State of Oklahoma for the boarding and feeding of DOC prisoners.

Jail Commissary – revenues are from profits on commissary sales in the county jail. Disbursements are for jail operations as defined by state statutes.

Flood Plain Board – accounts for the receipt of fees from flood plain permit fees obtained from mortgages. Disbursements are for lawful expenses of the flood plain office.

Craig County Emergency Management - 2 – accounts for funds received from state and local governments and is used for operations of the Craig County Emergency Management Office.

Sheriff Littering Award – accounts for the monies collected from fines imposed for littering and disbursed to citizens involved in the reporting of littering offenses.

Rural Water District #4 – accounts for the receipt of state grant funds from the Department of Commerce. Disbursements are for Rural Water District #4 projects.

Sheriff Drug Buy – accounts for monies set aside for law enforcement sting operations.

Communications – accounts for grant monies received from Rural Electric Cooperative (REC) for the purpose of purchasing communication equipment for the Sheriff's office.

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

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Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>			
Passed Through Oklahoma Department of Transportation:			
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703		\$ 5,800
Total U.S. Department of Transportation			<u>5,800</u>
<b>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>			
Passed Through Oklahoma Department of Health:			
Senior Companion Program	94.016		181,873
Total Corporation for National and Community Service			<u>181,873</u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>			
Passed Through Oklahoma Department of Emergency Management:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR 1876	583,953
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR 1883	9,621
Total U.S. Department of Homeland Security			<u>593,574</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 781,247</u>

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

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Basis of Presentation

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



**INTERNAL CONTROL AND COMPLIANCE SECTION**



# Oklahoma State Auditor & Inspector

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

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

TO THE OFFICERS OF  
CRAIG COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Craig County, Oklahoma, as of and for the year ended June 30, 2010, which comprises Craig County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated December 4, 2012. Our report on the basic financial statement was adverse because the statement is not a presentation in conformity with accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in internal control described in the accompanying schedule of findings and questioned costs to be material weaknesses in internal control over financial reporting. 2010-6, 2010-7, 2010-11, and 2010-19.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting. 2010-1, 2010-2, 2010-3, 2010-8, 2010-9, 2010-10, 2010-12 and 2010-18.

#### Compliance and Other Matters

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

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

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

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



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

December 4, 2012



# Oklahoma State Auditor & Inspector

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

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

TO THE OFFICERS OF  
CRAIG COUNTY, OKLAHOMA

### Compliance

We have audited the compliance of Craig County, Oklahoma, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on Craig County's major federal program for the year ended June 30, 2010. Craig County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of Craig County's management. Our responsibility is to express an opinion on Craig County's compliance based on our audit.

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

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

### Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item 2010-5. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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

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

December 4, 2012

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

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

Financial Statements

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

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?..... No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?..... No
- Significant deficiency(ies) identified? ..... Yes

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

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

Identification of Major Programs

CFDA Number(s)  
97.036

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

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

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

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

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

**Finding 2010-1 - Disaster Recovery Plan, Computer Usage Policies, and Passwords (Repeat Finding)**

**Condition:**

- The Disaster Recovery Plans for the Court Clerk and the County Treasurer were outdated, the names and numbers in their plans are no longer valid.
- The County Clerk, County Sheriff, and the Board of County Commissioners do not have written Disaster Recovery Plans.
- The County does not have written policies describing appropriate use of county computer equipment or written policies detailing the duties performed on computers.
- The County Treasurer, County Clerk, and County Assessor do not have a plan that forecasts and budgets for the future computer needs of the County.
- There is inadequate security over the computers and systems in the County Treasurer, County Clerk, and the County Assessor's offices:
  - In the County Treasurer, County Clerk, and County Assessor's offices, the computer system does not log users off for inactivity, users do not always log off when they leave their computers unattended, and screen savers are not password protected.
  - In the County Treasurer, County Clerk and County Assessor's offices, passwords are not required to be changed unless compromised.
  - Passwords in the County Clerk's office are shared with other employees.
  - Back-ups are not tested regularly.

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

**Effect of Condition:** The failure to have a formal Disaster Recovery Plan could result in the County being unable to function in the event of a disaster. By not locking computers after periods of inactivity, exposes computers to unauthorized access, and increases the opportunities for misuse of county assets.

**Recommendation:** OSAI recommends the County develop a current Disaster Recovery Plan, which is stored offsite to ensure the safekeeping and integrity of the County's data. Management should also establish and implement a computer and internet policy that describes acceptable computer and internet usage by county employees. OSAI further recommends that computers are set to require a password to sign into after a period of inactivity and passwords should not be shared with other employees.

**Management Response:**

**County Treasurer:** Disaster Recovery Plans are now current. Due to budget restraints we cannot budget for future computer needs. Resale is used for computer needs. We have changed computer software that now requires always logging in and using passwords. Back-ups will be tested regularly.

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

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**County Assessor:** Computer Logoff: The Assessor's office will now log-off when away from their desks.

Passwords: Upon attending a recent AA user group meeting we currently following suggested guidelines for changing passwords every 90 days.

Back-ups not tested: We receive a daily log on the status of the previous night's backups. This back-up is checked daily for any errors.

**Court Clerk:** The Disaster Recovery Plan has been updated. The office has a list of "Dos and Don'ts" from the AOC as to the appropriate use of computers.

**County Commissioner District 1:** We are in the process of having a meeting to discuss the findings of the audit with each elected official. We are in the process of working with Emergency Management on a Disaster Recovery Plan. We are also in the process of a new Employee Personnel Policy Handbook.

**County Commissioner District 2:** Disaster Recovery Plans are written for Craig County District 2. The handbook is being evaluated for rewrites at this time and the computer usage will be added.

**County Commissioner District 3:** District 3 is addressing the problems of District 3. Also, the Commissioners are consulting on a Disaster Recovery Plan for Craig County.

**County Sheriff:** Disaster Recovery: All computers in the Craig County Sheriff's Office are backed up daily and the backups are maintained by ODIS on their main server in Oklahoma City. In the event of an evacuation of the Craig County Courthouse, we have a contract with the Craig County Fair Board for the use of the County Show Barn. In the event of an emergency evacuation, all Sheriff's Office employees have been instructed to meet at this building. It will be used as an emergency shelter and as a staging area for our department. All deputies are issued department cell phones and radios, which will be used for communications. A list of telephone numbers for department employees and key city, county and state employees has been compiled and copies are kept in the jail, and at the Sheriff's residence.

Backups: Computer backups are checked by the Jail Administrator twice a week.

**County Clerk:** I did find the written Disaster Recovery Plan and I am updating the information within the plan.

I will be projecting computer and related equipment replacement costs on a year to year basis.

Regarding the security of computers within my office:

1. I am implementing a policy for employees to log out during lunch or extended times away from their desk. I will have screen savers password protected.
2. We will also be changing password periodically; I have not yet determined how often this will take place.
3. Passwords are shared due to necessity. I am researching how we can use computers not on our desk when necessary but track who has logged in. I know this is possible; I'm just not the person to make it happen.



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

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**Auditor Response:** The County Sheriff should develop a written Disaster Recovery Plan.

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

- 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.

Also, according to the standards of the Information Systems Audit and Control Association (CobiT, Delivery and Support) DS11.6 Security Requirements for Data Management, management should define and implement policies and procedures to identify and apply security requirements applicable to the receipt, processing, storage and output of data to meet business objectives, the organization's security policy and regulatory requirements.

**Finding 2010-2 - Inadequate County-Wide Controls (Repeat Finding)**

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

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

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

**Recommendation:** OSAI recommends that the County design procedures to identify and address risks. OSAI also recommends that the County design monitoring procedures to assess the quality of performance over time. These procedures should be written policies and procedures and could be included in the County's policies and procedures handbook.

Examples of risks and procedures to address risk management:

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

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

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Examples of activities and procedures to address monitoring:

<b>Monitoring</b>	<b>Procedures</b>
Communication between officers	Periodic meetings to address items that should be included in the handbook and to determine if the County is meeting its goals and objectives.
Annual Financial Statement	Review the financial statement of the County for accuracy and completeness.
Schedule of Expenditures of Federal Awards (SEFA)	Review the SEFA of the County for accuracy and to determine all federal awards are presented.
Audit findings	Determine audit findings are corrected.
Financial status	Periodically review budgeted amounts to actual amounts and resolve unexplained variances.
Policies and procedures	Ensure employees understand expectations in meeting the goals of the County.
Following up on complaints	Determine source of complaint and course of action for resolution.
Estimate of needs	Work together to ensure this financial document is accurate and complete.

**Management Response:**

**County Treasurer:** The Treasurer's office has always attended training and workshops. We are all certified. Proper monitoring of the above will be conducted by the Treasurer's office.

**County Assessor:** Communication between officers: I plan to attend Commissioner's Meetings when possible; will get a copy of the meeting minutes when attendance is not possible.

**Court Clerk:** More than one person will perform duties. Our computers are backed up daily. The office has a Disaster Plan and 3 employees have copies at their homes.

**County Sheriff:** Monitoring: The Sheriff will attend weekly Commissioner Meetings and periodically meet with other county officials to review the employee handbooks. He will review the Schedule of Expenditures of Federal Awards for accuracy. He will meet with employees to ensure that all audit findings are corrected. He will work with county officials to ensure that the estimate of needs for his office is accurate and complete. Employees are given Policy and Procedure handbooks and will be required to read in order to understand the expectations in meeting the goals of the County.

**County Commissioner District 1:** We are in the process of a new Employee Personnel Policy Handbook.

**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

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

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serves as the first line of defense in safeguarding assets and preventing and detecting errors and fraud. County management is responsible for designing a county-wide internal control system comprised of Risk Assessment and Monitoring for the achievement of these goals.

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

Monitoring is a component of internal control which should assess the quality of performance over time and ensure that the findings of audits and other reviews are promptly resolved. Ongoing monitoring occurs during normal operations and includes regular management and supervisory activities, comparisons, reconciliations, and other actions people take in performing their duties. It includes ensuring that management know their responsibilities for internal control and the need to make control monitoring part of their regular operating process.

**Finding 2010-3—BOCC Minutes (Repeat Finding)**

**Condition:** During the review of the Board of County Commissioners meetings and meeting minutes, OSAI found the Board of County Commissioners was not voting on any resolutions, decisions, or questions submitted to the Board, and the County Clerk had not prepared the minutes of the meetings from July 1, 2009 to June 30, 2010.

**Cause of Condition:** The Board of County Commissioners was not aware that a vote of each member must be publicly cast and recorded in all meetings, and that the County Clerk did not prepare the minutes of the BOCC meeting.

**Effect of Condition:** By not preparing the minutes of the meeting and not recording votes, the Board of County Commissioners and the County Clerk are in violation of state statutes, and a record of the proceedings of the Board of County Commissioners meetings is not being maintained and approved.

**Recommendation:** OSAI recommends each member of the Board of County Commissioners vote on any and every resolution, decision, or question submitted to the Board and the County Clerk prepare the minutes of the Board of County Commissioners meetings in accordance with state statutes.

**Management Response:** Currently, the BOCC meeting minutes are on the agenda. I am presenting written minutes for review by the BOCC. A copy is going into a file and each board member is presented with a copy.

**Criteria:** 25 O.S. § 305 states:

In all meetings of public bodies, the vote of each member must be publicly cast and recorded.

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19 O.S. § 243 states:

The county clerk shall attend the sessions of the board of county commissioners, either in person or by deputy, shall keep the seals, records, and papers of said board of commissioners and shall sign the records of the proceedings of the board of county commissioners and attest the same with the seal of the county.

19 O.S. § 244 states:

It shall be the duty of the county clerk:

- 1) To record in a book to be provided for that purpose, all proceedings of the board.
- 2) To make regular entries of their resolutions and decisions in all questions concerning the raising of money.
- 3) To record the vote of each commissioner on any question submitted to the board, if required by any member thereof, and not otherwise.
- 4) To attest all orders issued by the board and signed by the chairman thereof for the payment of monies.
- 5) To preserve and file all accounts acted upon by the board, with their action thereon. And he shall perform such duties as are required by law.

Additionally, 68 O.S. §3002 states in part:

...each board of county commissioners...shall prior to October 1 of each year, make, in writing, a financial statement, showing the true financial condition of their respective political subdivisions as of the close of the previous fiscal year ended June 30<sup>th</sup>, and shall make a written itemized statement of estimated needs and probable income from all sources including ad valorem tax for the current fiscal year. Such financial statements shall be supported by schedules or exhibits showing, by classes, the amount of all receipts and disbursements, and shall be sworn to as being true and correct...

**Finding 2010-6 - Segregation of Duties – Payroll (Repeat Finding)**

**Condition:** A lack of segregation of duties exists in the County Clerk’s office because one deputy reviews the payroll claims, calculates amounts to be paid to the employees and payroll related agencies, updates the master payroll file, issues payroll, prints payroll warrants, and removes terminated employees from payroll.

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

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

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

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

- Reviewing time records and preparing payroll.
- Distributing payroll warrants to individuals.

**Management Response:**

**County Clerk:** Limited staff does not allow for several people to do payroll. There are however safe guards in place. The payroll claims are generated based on the information received from each office. The officer of each department is liable for the information given to the clerk's office to generate payroll claims. After the claims are produced they are given back to the officer of each department for review by not only the officer but each of the employees review their claim. The officer and employee sign the claim indicating to the clerk's office the claim is correct. The next step is for the Board of County Commissioners to approve. We now have the payroll clerk, the officer, the employee and the board that have reviewed those claims.

When an employee is terminated not only are they terminated on payroll but from all benefits. That is handled by my payroll clerk and me. We also require a written notice from the officer to be placed in the personal file of the terminated employee.

**Auditor Response:** The County Clerk should strengthen internal controls regarding preparing payroll, printing payroll warrants, and distributing payroll warrants.

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

**Finding 2010-7 - Segregation of Duties – Treasurer (Repeat Finding)**

**Condition:** A lack of segregation of duties exists in the County Treasurer's office because one person is responsible for posting to the general ledger, preparing monthly reports, preparing monthly apportionments, maintaining the investment ledger, and reconciling the general and official bank accounts.

**Cause of Condition:** Management has not implemented procedures to separate key functions and processes among various employees in the office or to have levels of review over the processes performed.

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Additionally, management has not established procedures for the review of daily closeouts by someone other than the preparer.

**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 a system of internal controls be implemented to provide reasonable assurance that duties are adequately segregated. The duties of receipting, depositing, and maintaining ledgers/reconciliations should be segregated. If duties cannot be properly segregated, procedures should be designed to mitigate risks such as monitoring and review of processes.

**Management Response:** Segregation of duties will be conducted to the best of our ability. The First Deputy now reconciles the General and Official Bank accounts.

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

**Finding 2010-8 - Segregation of Duties – Official Depository Accounts (Repeat Finding)**

**Condition:** When documenting the receipting process for official depository collections, we noted the following lack of segregation of duties:

- Court Clerk
  - One person is responsible for reviewing the daily reconciliations, preparing the deposit, taking the deposit to the Treasurer, issuing official depository vouchers, and performing monthly reconciliations to the Treasurer.
- County Clerk
  - One person is responsible for issuing receipts, issuing official depository vouchers, and performing monthly reconciliations to the Treasurer.
- County Assessor
  - One person is responsible for issuing receipts, preparing daily reconciliations, preparing the deposit, taking the deposit to the Treasurer, and issuing official depository vouchers.
- County Health Department
  - One person is responsible for performing the daily reconciliation, preparing the deposit, taking the deposit to the Treasurer, issuing official depository vouchers, and performing monthly reconciliations to the Treasurer.

**Cause of Condition:** Management has not implemented procedures to separate key functions and processes among various employees in the office or to have levels of review over the processes performed.

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**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 a system of internal controls be implemented to provide reasonable assurance that duties are adequately segregated. The duties of receipting, depositing, and maintaining ledgers/reconciliations, and disbursing funds should be segregated. If duties cannot be properly segregated, procedures should be designed to mitigate risks such as monitoring and review of processes.

**Management Response:**

**Court Clerk:** More than one person will be performing these duties.

**County Clerk:** Limited staff does not allow for several people to do the daily reconciliations. The depository vouchers from this point forward will be signed by me. That will allow me the opportunity to review the accounting at the counter on a monthly basis.

**County Assessor:** Receipts, deposits, and Official Depository vouchers: Deposits are currently checked before taken to the Treasurer's office by an Officer. They will now be checked and initialed before and after deposit is registered.

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

**Finding 2010-9 – Reconciliation (Repeat Finding)**

**Condition:** Based on testwork performed, reconciliations are not performed between the County Clerk's Appropriation Ledger and the Treasurer's General Ledger.

**Cause of Condition:** Procedures have not been designed for the County Clerk and County Treasurer to work together to reconcile the Appropriation Ledger and the General Ledger.

**Effect of Condition:** This condition could result in unrecorded transactions and undetected errors.

**Recommendation:** OSAI recommends management take steps to ensure reconciliations are performed between the County Clerk's Appropriation Ledger and the Treasurer's General Ledger.

**Management Response:**

**County Treasurer:** Reconciliations between Treasurer and County Clerk will be performed monthly. As of November 28, 2012, the County Treasurer and County Clerk now reconcile.

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**County Clerk:** The County Clerk's office and the Treasurer's office have started reconciling the appropriation ledger and the general ledger on a monthly basis.

**Criteria:** To help ensure a proper accounting of funds, the County Clerk's Appropriation Ledger should be reconciled monthly to the Treasurer's General Ledger.

**Finding 2010-10 - Bank Reconciliations and Accounts not on General Ledger (Repeat Finding)**

**Condition:** Based on testwork performed, there was no indication of review of the bank reconciliations by someone other than the preparer. The Electronic Federal Tax Payment System (EFTPS) account is not being reconciled and the Fairboard's CD #13533 had the County's tax identification number (EIN), but was not on the General Ledger.

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

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

**Recommendation:** OSAI recommends all accounts be reconciled on a monthly basis and in a timely manner and that the Treasurer ensures that all bank reconciliations reflect an indication of review that they are approved by someone other than the preparer. Also, any accounts or investments recorded under the County's tax identification number should be included on the General Ledger.

**Management Response:** Electronic Federal Tax Payment System (EFTPS) will be added to the General Ledger and reconciled. Fair Board is in the process of obtaining their own EIN.

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

**Finding 2010-11 – Lack of Controls - Sheriff's Office (Repeat Finding)**

**Condition:** Our review of the collection, receipting, and bookkeeping functions within the County Sheriff's office revealed the following:

- Lack of segregation of duties, monitoring, and oversight – one employee in the office is responsible for issuing receipts, posting receipts to the computer system, preparing the daily reconciliation, preparing the deposit, taking the deposit to the Treasurer, issuing official depository vouchers, and performing monthly reconciliations to the Treasurer.



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- Multiple receipt books are used within the Sheriff's office for the receipting of collections. Receipts are first handwritten on pre-numbered receipt books and then entered into the computer. Because multiple books are used and books are not always in sequential order, we were unable to trace the receipts to the deposit to ensure the accuracy of deposit.
- Deposits are not made daily. Money received in the office is kept in a cash bag in the office and is only deposited if over \$2.00. Money received in the jail is dropped in a drop box and is only retrieved and deposited on Monday, Wednesday, and Friday.

**Cause of Condition:** Procedures have not been designed in the Sheriff's office to ensure adequate controls are in place to safeguard assets.

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

**Recommendation:** OSAI recommends the Sheriff implement procedures to monitor and oversee the collecting, receipting, and accounting functions to ensure collections are receipted in sequential order, receipts are reconciled to the deposit, collections are deposited daily, and duties are adequately segregated.

**Management Response:** Receipts are written and posted to the computer by the person collecting the money. Monies taken in the front office for the Inmate Trust Account are placed in a dated envelope and at the end of the day; copies of all receipts written that day are placed in the envelope. The envelope is then sealed and placed in the lock box of the jail. The commissary officer reconciles the contents of each day's envelopes to the computer and to the actual receipt book. The commissary officer issues one receipt book to the front office and one to the jail. These books are numbered in sequential order and beginning and ending dates are posted on the front covers. New books are not issued until the current book is finished. I was informed that the commissary officer prepares the deposit for a daily deposit. Cash bonds are only taken in the jail or Court Clerk's Office. When a cash bond is taken, the jailer writes a receipt to the person paying the bond. If it is a district bond, a sheet is filled out for the judge. All cash bonds are placed in the lock box in the jail. District cash bonds are brought to the front office, deposited in the treasurer's office and a voucher written to the Craig County Court Clerk. Municipal bonds for Ketchum or Bluejacket courts are taken to the Court Clerk of that court and the deputy taking the money receives a receipt from the Court Clerk.

Money taken in the front office for all other purposes is receipted by the person taking the money. Receipts are numbered and written in sequential order. Money is deposited each day with the County Treasurer. After the deposit is made, another employee reconciles the receipts and vouchers written that day to the depository ticket and receipt received from the County Treasurer and signs the depository ticket, which is maintained in the Sheriff's Office. The Sheriff is the Requisitioning Officer for the Sheriff's Office. There are two Receiving Agents in the office and two in the jail.

**Auditor Response:** The duties regarding receipting and depositing collections are not adequately segregated in the Sheriff's office.

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**Criteria:** To help ensure a proper accounting of funds, key duties and responsibilities should be segregated among different individuals to reduce the risk of error or fraud, monitoring and review processes should be in place, all collections should be receipted in sequential order, receipts should be reconciled to the deposit, and collections should be deposited daily.

**Finding 2010-12 – Purchasing (Repeat Finding)**

**Condition:** Our test of 47 purchase orders revealed the following:

- The invoice date and/or service date were prior to the encumbrance date for purchase orders in three instances (T2A-3 #226, T2A-1 #2340, and Sheriff DE #2204).

**Cause of Condition:** The County is not following established purchasing procedures and is in violation of state statutes.

**Effect of Condition:** The County runs the risk of misappropriation of funds and the possibility of not having adequate funds available to pay for expenses incurred.

**Recommendation:** OSAI recommends Craig County practice proper purchasing procedures. All purchases should be properly requisitioned, encumbered, approved, and received with proper supporting documentation attached.

**Management Response:**

**County Clerk:** I do monitor purchasing. All requisitions are at the request of requisitioning officers. Those purchase orders are signed by the proper officer. All support documents for purchase orders are signed by the receiving agent and requisitioning officer for each office. After the warrants are generated I review and personally sign each one. As the warrants go through the bank they are marked by a separate employee.

**Auditor Response:** Three of 47 purchase orders were not timely encumbered.

**Criteria:** Statutory control procedures have been established for the requisition, purchase, lease-purchase, rental, and receipt of supplies, material, and equipment for maintenance, operation and capital expenditures of county government.

19 O.S. § 1505.C.2 states in part:

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

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19 O.S. § 1505.C.3 states in part:

...In instances where it is impossible to ascertain the exact amount of the indebtedness sought to be incurred at the time of recording the encumbrance, an estimated amount may be used. No purchase order shall be valid unless signed by the county purchasing agent and certified by the county clerk.

19 O.S. § 1505.E.10 states:

Upon receipt of an invoice, the county clerk shall compare the following documents: a. requisition, b. purchase order, c. invoice with non-collusion affidavit, as required by law, d. receiving report, and e. delivery document.

**Finding 2010-18 - Budgeted Expenditures (Repeat Finding)**

**Condition:** When reviewing disbursements, we noted expenditures classified as payroll in the amount of \$308,645.04 were disbursed from the General Fund Sheriff - M&O, DOC/BOP – M&O, and Sheriff's Cash Fee M&O.

**Cause of Condition:** Controls have not been designed to ensure expenditures are disbursed from the appropriate budgeted categories.

**Effect of Condition:** By not expending funds out of the appropriate budgeted categories, the County is not in compliance with state statutes and also runs the risk of exceeding budgeted fund balances.

**Recommendation:** OSAI recommends management develop controls to ensure that expenditures are expended out of the appropriate budgeted classification in relation to the function of the expenditure.

**Management Response:** Management chose not to respond.

**Criteria:** 19 O.S. § 1417 states in part:

Estimated revenues and appropriation expenditures in the budget of each fund shall be classified in conformity with the accounting system prescribed by the State Auditor and Inspector. Revenues shall be classified separately by source. Expenditures shall be departmentalized by appropriate functions and activities within each fund and shall be classified within the following categories:

1. Salaries and wages...
2. Employee benefits...
3. Operating expenses...
4. Other charges...
5. Capital outlays...and,
6. Debt service...

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**Finding 2010-19 - Segregation of Duties – Purchasing**

**Condition:** A lack of segregation of duties exists in the purchasing department of the County Clerk's office because one person is responsible for:

- entering all vendors into the purchase order system,
- generating all requisition/purchase orders,
- encumbering funds,
- auditing purchase order upon receiving all supporting documentation,
- preparing warrants,
- printing warrants,
- distributing signed warrants,
- maintaining warrant register,
- posting warrants as paid to system, and
- maintaining the appropriation ledger.

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

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

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

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

- Entering vendors into the system and generating purchase orders
- Reviewing purchase orders for accuracy and for proper supporting documentation
- Preparing warrants and reconciling warrants to purchase orders
- Distributing warrants

**Management Response:**

**County Clerk:** I do monitor purchasing. All requisitions are at the request of requisitioning officers. Those purchase orders are signed by the proper officer. All support documents for purchase orders are signed by the receiving agent and requisitioning officer for each office. After the warrants are generated I review and personally sign each one. As the warrants go through the bank they are marked by a separate employee.

**Auditor Response:** The duties of preparing payroll, issuing payroll warrants, distributing payroll, and recording payroll are not adequately segregated.

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**Criteria:** To help ensure a proper accounting of funds, key duties and responsibilities should be segregated among different individuals to reduce the risk of error or fraud and monitoring and review processes should be in place.

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

**Finding 2010-5 - Schedule of Expenditures of Federal Awards (Repeat Finding)**

**PASS-THROUGH GRANTOR:** Oklahoma Department of Emergency Management and Oklahoma Department of Health

**FEDERAL AGENCY:** United States Department of Homeland Security and Corporation for National and Community Service

**CFDA NO:** 97.036 and 94.016

**FEDERAL PROGRAM NAME:** Disaster Grants - Public Assistance (Presidentially Declared Disasters), Senior Companion Program

**FEDERAL AWARD NUMBER:** 1876 and 1883

**FEDERAL AWARD YEAR:** 2010

**CONTROL CATEGORY:** Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Eligibility; Matching, Level of Effort, Earmarking; Period of Availability of Federal Funds; Procurement and Suspension and Debarment; Program Income; Reporting; Subrecipient Monitoring, and Special Tests and Provisions

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

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

During our review and reconciliation of the Schedule of Expenditures of Federal Awards as initially prepared by Craig County, Disaster Grants – Public Assistance expenditures were overstated by \$800 and the Senior Companion Program expenditures of \$181,873 were left off the schedule.

**Cause of Condition:** Procedures have not been designed to ensure compliance with grant requirements and proper expenditure of federal grant funds.

**Effect of Condition:** This condition resulted in misstatements of the Schedule of Expenditures of Federal Awards.

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

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**Management Response:** The County is working on getting the OMB Circular so that we can be in compliance. The Commissioners will be having a board meeting to discuss and appoint someone to confirm with the grants and funding received and make sure it is reported correctly.

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

*OMB A-133, Subpart C, §\_\_\_.300* reads as follows:

Subpart C—Auditees

§\_\_\_.300 Auditee responsibilities.

The auditee shall:

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

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

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

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

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

**Finding 2010-4 - Estimate of Needs (Repeat Finding)**

**Condition:** During the review of the County’s Estimate of Needs, it was determined that the 2009-2010 Estimate of Needs was inaccurate.

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- Current year outstanding warrants were not included in warrants issued.
- The original budget for the Health Fund did not balance; expenditures exceeded revenues by \$60.

**Cause of Condition:** Procedures have not been designed to ensure the County's Estimate of Needs is accurate.

**Effect of Condition:** These conditions result in an inaccurate Estimate of Needs being approved by the Excise Board.

**Recommendation:** OSAI recommends management ensure that cash receipts and disbursements on the Estimate of Needs reconcile to the financial statements and that all amounts are identified and include supporting documentation.

**Management Response:**

**County Treasurer:** Treasurer's office will check Estimate of Needs to make sure all accounts are included. We will also check warrants and the Health Fund.

**County Clerk:** I will talk to our budget maker concerning this finding.

**Criteria:** The adopted budget is an expression of public policy and financial intent and is a method of providing controls over that intent.

Additionally, 68 O.S. § 3002 states in part:

...each board of county commissioners...shall prior to October 1 of each year, make, in writing, a financial statement, showing the true financial condition of their respective political subdivisions as of the close of the previous fiscal year ended June 30<sup>th</sup>, and shall make a written itemized statement of estimated needs and probable income from all sources including ad valorem tax for the current fiscal year. Such financial statements shall be supported by schedules or exhibits showing, by classes, the amount of all receipts and disbursements, and shall be sworn to as being true and correct...

**Finding 2010-15 - Court Clerk Reconciliations (Repeat Finding)**

**Condition:** Based on our documentation of controls and testwork, reconciliations of the Court Clerk Revolving Fund and the Court Fund to the County Treasurer are not reviewed and approved by anyone other than the preparer.

**Cause of Condition:** Procedures have not been designed to ensure all reconciliations are reviewed and approved by someone other than the preparer.

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

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**Recommendation:** OSAI recommends all reconciliations reflect an indication of review that they are approved by someone other than the preparer.

**Management Response:** Someone other than the preparer will review and approve the reconciliations.

**Criteria:** To help ensure a proper accounting of funds, all reconciliations should be approved by someone other than the preparer and include an indication of review.

**Finding 2010-16 - Inmate Trust (Repeat Finding)**

**Condition:** An examination of the Inmate Trust Account revealed the following:

- Lack of segregation of duties. One employee is responsible for receiving/receipting money, accessing and balancing drop box, preparing deposit slips, taking deposits to the bank, reconciling account balances, posting payments and disbursements to inmate records, calculating amount(s) written out of account, issuing checks, and signing checks.
- Lack of monitoring and review over the work performed by the person responsible for the inmate trust bookkeeping.
- Receipts
  - Multiple receipt books are used.
  - Receipt books are pre-numbered, but because multiple books are used and the books are not always used in sequential order, the receipt number sequence cannot be traced to the deposits to ensure accuracy of the deposit.
  - Handwritten receipts are never reconciled back to receipts issued within the accounting system (ODIS).
- Collections
  - Money received at book-in, checks, and money orders are not always receipted.
  - Collections are never reconciled back to the receipts issued in accounting system (ODIS).
  - Cash recorded in the ODIS system is not always deposited at the bank.
  - Collections are not deposited daily; usually deposits are only made on Fridays.
  - Cash taken at book-in is often given back to the inmate if the inmate is released shortly after book-in.
- Expenditures
  - Checks can be issued and signed by 18 employees within the Sheriff's office.
  - Not all checks are signed by two employees.
  - Checks are written for unauthorized expenditures such as:
    - Book-in fees in the amount of \$25.00 each time an inmate is booked into the jail.
    - Fines paid to Court Clerk.
    - Hair care services to a deputy.
    - Attorneys and bail bondsmen.
  - Checks are written when funds are not available.
  - Insufficient check charges are taken out of the inmate trust funds.
  - Checks issued are not reconciled to documents authorizing release of funds.



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- Negative balances noted on inmate accounts in accounting system (ODIS).
- Bank reconciliations are not being performed adequately and were not reviewed or approved by someone other than the preparer.
- Negative bank balances.

**Cause of Condition:** Procedures have not been designed to ensure adequate controls are in place to safeguard inmate assets.

**Effect of Condition:** These conditions could result in misappropriation of assets, unrecorded transactions, and unauthorized collections and disbursements.

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

OSAI further recommends the Sheriff implement procedures to ensure:

- all collections are receipted in sequential order,
- receipts are reconciled to collections/deposits,
- all collections are deposited daily,
- all expenditures are for authorized and legal transactions,
- checks are always signed by two individuals,
- check signing access is restricted and expenditures are never made when funds are not available,
- bank balances are reconciled back to ODIS ledgers on a monthly basis,
- reconciliations be reviewed and approved by someone other than the preparer, and
- the commissary is paid amount owed in a timely manner.
- The duties of receipting, depositing, and maintaining ledgers/reconciliations should be adequately segregated.

**Management Response:** All money is receipted and placed in the lock box when inmate is booked in. We only accept money orders or cashier's checks to be placed on the inmates commissary account. At release the inmate is issued a check from the Inmate Trust Account. All checks are required to have two signatures. Checks are not signed in advance. Checks are only written to inmates. In order to pay expenses such as haircuts, fines or legal expenses, a check is written to the inmate. He then signs it over to the provider. Inmates are required to sign a receipt showing they have received the check, anytime a check is issued. Bank statements are reconciled each month by the commissary officer and the reconciliation is reviewed by another employee. Checks are not written that will result in a negative balance. In the event of an Insufficient Check Charge, a purchase order will be obtained and the Inmate Trust Fund will be reimbursed out of the Sheriff's Commissary Account. Inmate balances are now monitored and inmates are not allowed to purchase any item that would result in a negative balance. The \$25.00 book in fee is no longer collected by the Sheriff's Office. We have the forms and will prepare an

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FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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annual report for the Sheriff's Commissary Account and file this report with the office of the Craig County Commissioners.

**Auditor Response:** The duties regarding the receipting, depositing, disbursing, and recordkeeping of the Inmate Trust Fund are not adequately segregated.

**Criteria:** To help ensure a proper accounting of funds, key duties and responsibilities should be segregated among different individuals to reduce the risk of error or fraud. No one individual should have the ability to authorize transactions, have physical custody of assets, and record transactions. All collections should be receipted in sequential order, receipts should be reconciled to the collections/deposits, all collections should be deposited daily, expenditures should only be made when authorized and when funds are available, bank reconciliations between the bank and the ODIS should be performed monthly and be reviewed and approved by someone other than the preparer, and the Sheriff's commissary be paid the accurate amount and in a timely manner.

**Finding 2010-20 - Surplus Equipment**

**Condition:** The Board of County Commissioners minutes for 2/9/2010, noted that the County Sheriff junked a 1992 Dodge pickup VIN #3B7KE23C9NM50681 and then donated the pickup to a wrecker service in lieu of payment for services to the vendor.

**Cause of Condition:** Procedures have not been designed to ensure state statutes are followed when disposing of equipment.

**Effect of Condition:** The County Sheriff is in violation of state statutes.

**Recommendation:** OSAI recommends the Craig County Sheriff follow statutory requirements when disposing of equipment.

**Management Response:** Equipment with an original purchase price exceeding five hundred dollars, belonging to the county, which has been declared surplus, will be sold after the commissioners have given notice of the sale through publication in the newspaper for two successive weeks. Written sealed bids will be delivered to the County Clerk and opened at the next regular meeting of the Commissioners after the expiration of fifteen days from the date of the first publication of notice. Items which are not saleable will be junked after a resolution from the County Commissioners.

**Criteria:** Statutory control procedures have been established for the disposal of county property.

19 O.S. § 421.1C states:

- C. Except when such items are disposed of pursuant to subsection F of this section, the following procedures shall be used for the sale, by the board of county commissioners, of any tool, apparatus, machinery or equipment, the original cost of which exceeded Five Hundred Dollars (\$500.00), belonging to the county:

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1. The board of county commissioners shall give notice of such sale by publication in a newspaper of general paid circulation in the county for two (2) successive weekly issues;
2. Bids for such tools, apparatus, machinery, or equipment on sale shall be in writing, sealed and delivered to the county clerk of such county;
3. At the next regular meeting of the board of county commissioners after the expiration of fifteen (15) days from the date of first publication of notice of the sale, the board of county commissioners shall open such bids and award such tools, apparatus, machinery or equipment to the highest and best bidder with the option of rejecting all bids and;
4. The board of county commissioners may hold a public auction in lieu of advertising for sealed bids as provided above. Such auction shall be advertised as provided herein.

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**Finding 2008-5 – Schedule of Expenditures of Federal Awards (SEFA)**

**CFDA:** 97.036 and 94.016

**Federal Program:** Disaster Grants - Public Assistance (Presidentially Declared Disasters) and Senior Companion Program

**Federal Agency:** United States Department of Homeland Security and Corporation for National and Community Service

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

**Status:** Not Corrected. A similar finding is included for fiscal year ending June 30, 2010.



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