

COUNTY AUDIT

# HASKELL COUNTY

For the fiscal year ended June 30, 2007



*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

**HASKELL COUNTY, OKLAHOMA  
FINANCIAL STATEMENT  
AND INDEPENDENT AUDITOR'S REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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# Oklahoma State Auditor & Inspector

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

February 23, 2012

TO THE CITIZENS OF  
HASKELL COUNTY, OKLAHOMA

Transmitted herewith is the audit of Haskell County, Oklahoma for the fiscal year ended June 30, 2007. A report of this type can be critical in nature; however we do not intend to imply that our audit failed to disclose commendable features in the present accounting and operating procedures of the County.

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

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

Sincerely,

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

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

**HASKELL COUNTY, OKLAHOMA  
FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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**HASKELL COUNTY, OKLAHOMA  
FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

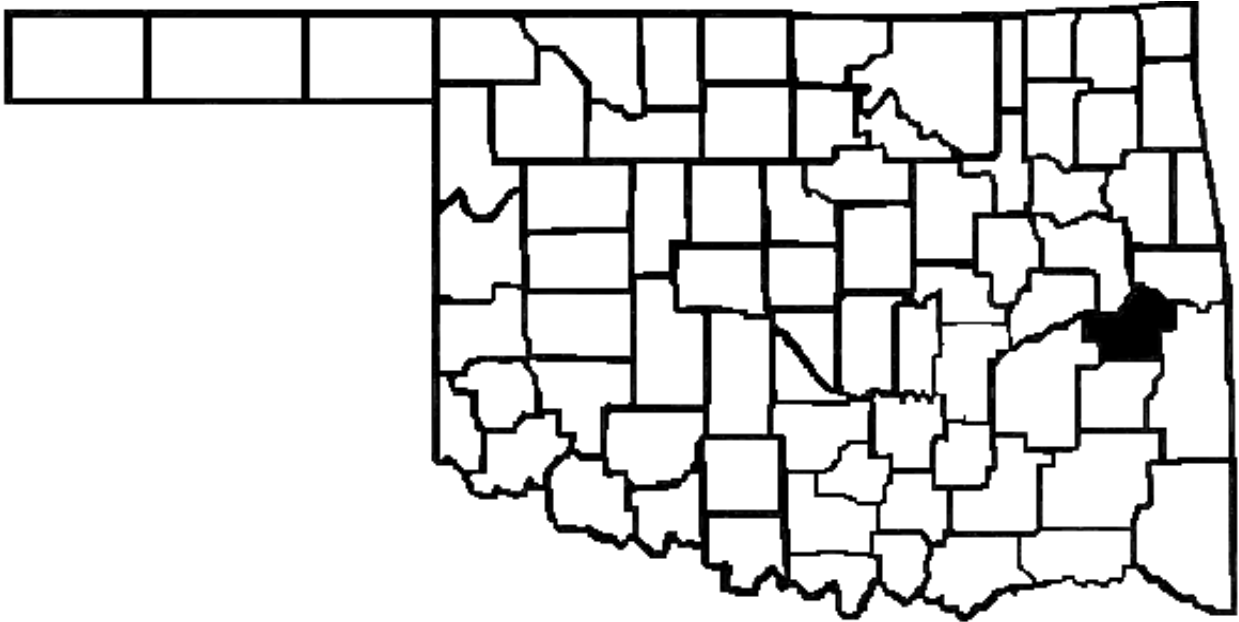
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**REPORT TO THE CITIZENS  
OF  
HASKELL COUNTY, OKLAHOMA**

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Located in eastern Oklahoma, Haskell County was created at statehood and named for Charles N. Haskell, a member of the Oklahoma Constitutional Convention and first governor.

Haskell County was one of the first permanent Choctaw settlements in the Indian Territory. Many Choctaws arrived by steamboat at Tamaha, and settled there along the Arkansas River. Haskell County was also the site of several skirmishes during the Civil War. The county seat is located at Stigler.

Belle Starr, the bandit queen, frequented the area during the late 1800s. She was reportedly killed near present-day Hoyt.

There is an in-county transit system. Local industries include meat packing, milling, and trucking. Recreational opportunities may be found at the Robert S. Kerr Lake, Sequoyah Wildlife Refuge and the Haskell County Recreational Club. Annual events include Reunion Days during the third week in June, the Christmas Parade on the first Saturday in December, and the Antique Car Show during late October.

*Haskell County History: Indian Territory through 1988* is available from the Haskell County Historical Society. For more information, call the county clerk's office at 918-967-2884.

County Seat – Stigler

Area – 625.27 Square Miles

County Population – 12,183  
(2005 est.)

Farms – 901

Land in Farms – 274,562 Acres

Primary Source: Oklahoma Almanac 2007-2008

See independent auditor's report.

**HASKELL COUNTY OFFICIALS  
AND RESPONSIBILITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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**COUNTY ASSESSOR**  
Roger Ballard

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

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

**COUNTY CLERK**  
Gail Brown

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

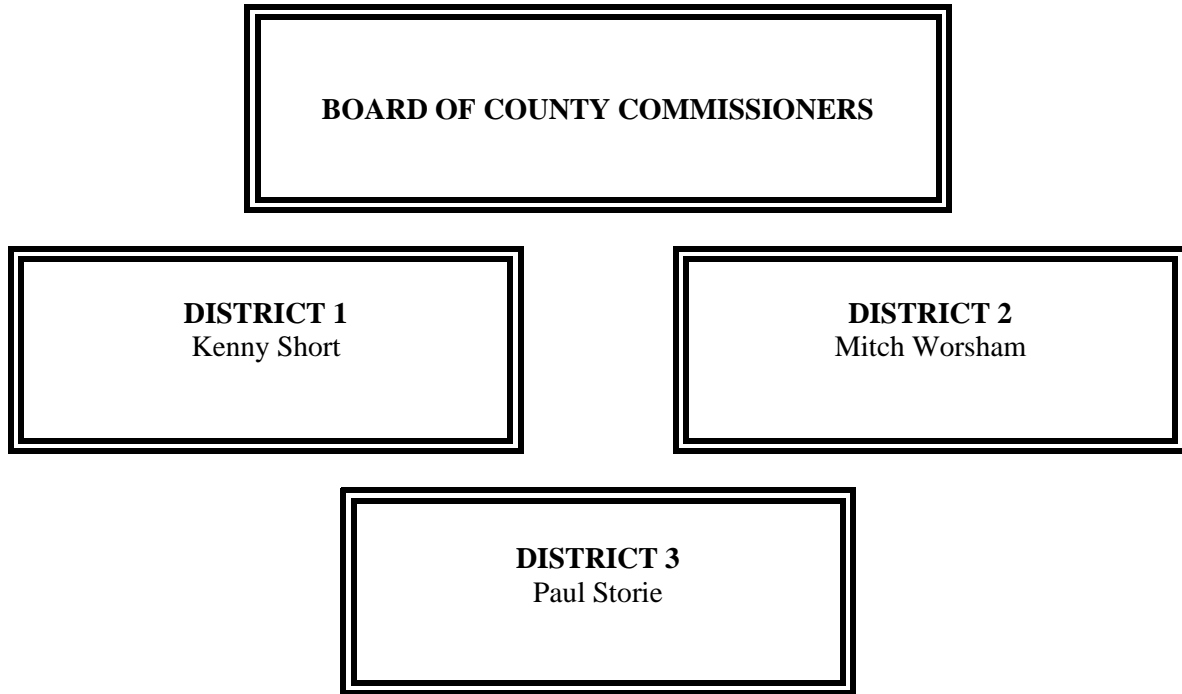
The County Clerk reviews all the claims for payment of goods and services purchased or contracted by the county, and prepares the proper warrants for payment of those goods and services and the county payroll. The County Clerk, or his or her designated deputy, serves as the purchasing agent for the county.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

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

See independent auditor's report.

**HASKELL COUNTY OFFICIALS  
AND RESPONSIBILITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

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

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

See independent auditor's report.



**HASKELL COUNTY OFFICIALS  
AND RESPONSIBILITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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**COUNTY SHERIFF**  
Manuel Ballard

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

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

**COUNTY TREASURER**  
Gale Dixon

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

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

See independent auditor's report.

**HASKELL COUNTY OFFICIALS  
AND RESPONSIBILITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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**COURT CLERK**  
Robin Rea

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

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

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

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

**DISTRICT ATTORNEY**  
Jim Bob Miller

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

See independent auditor's report.

**HASKELL COUNTY OFFICIALS  
AND RESPONSIBILITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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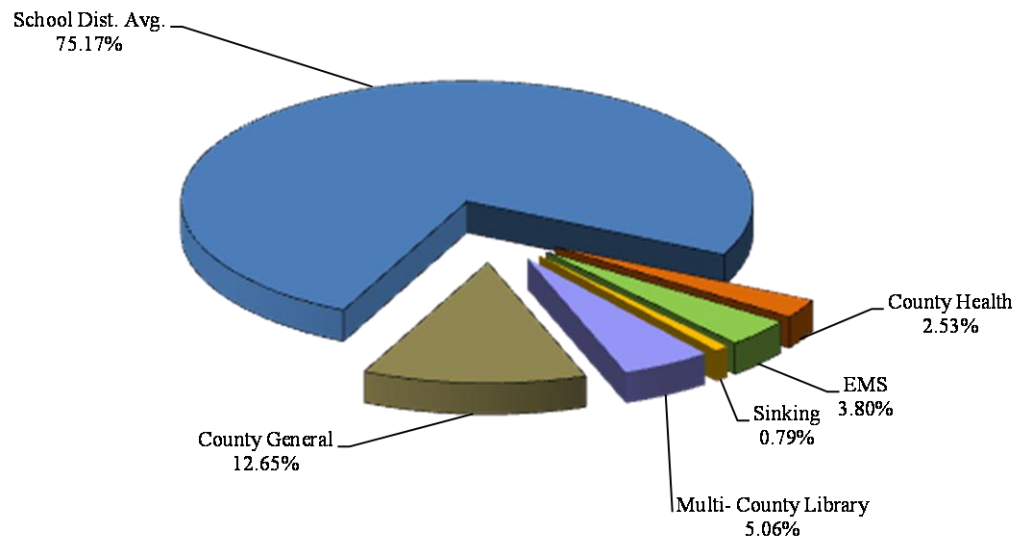
<b>ELECTION BOARD SECRETARY</b> Marcia Goff
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The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the county. The Board also conducts all elections held within the county.

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

**HASKELL COUNTY, OKLAHOMA  
AD VALOREM TAX DISTRIBUTION  
SHARE OF THE AVERAGE MILLAGE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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



County-Wide Millages		School District Millages								
				Gen.	Bldg.	Skg.	Career Tech	Career Tech Bldg.	Common	Total
County General	10.00	Stigler	I-20	35.00	5.00	-	10.00	2.00	4.00	56.00
County Health	2.00	Keota	I-43	35.00	5.00	5.22	10.00	2.00	4.00	61.22
EMS	3.00	Kinta	I-13	35.00	5.00	-	10.00	2.00	4.00	56.00
Multi-County Library	4.00	McCurtain	I-37	35.00	5.00	-	10.00	2.00	4.00	56.00
Sinking	0.62	Whitefield	C-10	35.00	5.00	-	10.00	2.00	4.00	56.00
		Quinton	J-17	35.00	5.00	15.06	10.00	2.00	4.00	71.06

See independent auditor's report.

**HASKELL COUNTY, OKLAHOMA  
COMPUTATION OF LEGAL DEBT MARGIN  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(UNAUDITED)**

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Total net assessed value as of January 1, 2006		<u>\$ 48,012,661</u>
Debt limit - 5% of total assessed value		2,400,633
Total bonds outstanding	-	
Total judgments outstanding	67,314	
Less cash in sinking fund	<u>28,421</u>	<u>38,893</u>
Legal debt margin		<u>\$ 2,361,740</u>

See independent auditor's report.

**HASKELL COUNTY, OKLAHOMA**  
**RATIO OF NET GENERAL BONDED DEBT TO ASSESSED**  
**VALUE AND NET BONDED DEBT PER CAPITA**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**  
**(UNAUDITED)**

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	<u>2007</u>
Estimated population	<u>12,183</u>
Net assessed value as of January 1, 2006	<u><u>48,012,661</u></u>
Gross bonded debt	-
Less available sinking fund cash balance	<u>28,421</u>
Net bonded debt	<u><u>\$ -</u></u>
Ratio of net bonded debt to assessed value	<u><u>0.00%</u></u>
Net bonded debt per capita	<u><u>\$ -</u></u>

See independent auditor's report.

**HASKELL COUNTY, OKLAHOMA  
ASSESSED VALUE OF PROPERTY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(UNAUDITED)**

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Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2006	\$14,511,880	\$9,597,751	\$27,484,285	\$3,581,255	\$48,012,661	\$ 436,478,736

See independent auditor's report.

## **FINANCIAL SECTION**





# Oklahoma State Auditor & Inspector

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

## Independent Auditor's Report

### TO THE OFFICERS OF HASKELL COUNTY, OKLAHOMA

We were engaged to audit the financial statement of Haskell County, Oklahoma, as of and for the year ended June 30, 2007. The financial statement is the responsibility of Haskell County's management.

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

The County did not retain documentation related to cash disbursements in an amount material to the financial statement taken as a whole. The County's records do not permit the application of other auditing procedures to cash disbursements.

Since Haskell County did not retain documentation for all cash disbursements and we were not able to apply other auditing procedures, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statement.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2012, on our consideration of Haskell 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.

We were engaged for the purpose of forming an opinion of the basic financial statement as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the basic financial statements. The schedule of expenditures of federal awards has not been subjected to the auditing procedures applied in the audit of the basic financial statement because management lacks sufficient documentation to

support the schedule of expenditures of federal awards for the Disaster Grants – Public Assistance (97.036), which is material to the financial statement as a whole. Therefore, it is inappropriate to, and we do not, express an opinion on the schedule of expenditures of federal awards in relation to the financial statements taken as a whole. The information listed in the table of contents under Introductory Section has not been audited by us, and accordingly, we express no opinion on it.

A handwritten signature in blue ink, appearing to read "Gary A. Jones", with a long horizontal flourish extending to the right.

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

February 7, 2012

## **Basic Financial Statement**

**HASKELL COUNTY, OKLAHOMA**  
**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND**  
**CHANGES IN CASH BALANCES**  
**(WITH COMBINING INFORMATION)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	Beginning Cash Balances July 1, 2006	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2007
Combining Information:						
County General Fund	\$ 653,380	\$ 2,313,772	\$ 88	\$ -	\$ 1,843,046	\$ 1,124,194
T-Highway	1,181,107	3,111,640			3,314,740	978,007
Resale Property	30,717	34,884			35,962	29,639
County Health Department	61,988	156,286			138,951	79,323
Assessor Visual Inspection	21,013	446				21,459
County Clerk Lien Fee	25,047	17,221			17,998	24,270
Sheriff Service Fees	31,805	118,385			91,634	58,556
Civil Defense	346					346
Mortgage Fees	14,751	2,964			5,132	12,583
Sheriff's Donations	7,022	16,445			15,650	7,817
COPS Fund	88			88		
Lake Patrol	4,280	13,054			5,213	12,121
Community Service Sentencing Program Revolving	309					309
Drug Fund	2,163	10,357			5,285	7,235
County Assessor Fees	17,380	4,390			1,190	20,580
County Clerk RM&P Revolving	35,658	23,074			23,505	35,227
Sheriff's Bullet-Proof Vest	35				35	
EOP Grant	33				33	
Community Development Block Grant		61,656			54,961	6,695
Hazard Mitigation	49				49	
Sheriff's County Jail Fund	1,358	6,141			4,592	2,907
Sinking Fund		28,421				28,421
Courthouse Security		3,013				3,013
Jail Fund - Operations and Expenses	9,229				9,229	
Jail Fund - Bonds	27,688				27,688	
Hospital Sales Tax	45,978	659,783			665,378	40,383
Gross Revenue - Operations and Expenses		183,302				183,302
Gross Revenue - Bonds		523,572			413,877	109,695
<b>Combined Total - All County Funds</b>	<b>\$ 2,171,424</b>	<b>\$ 7,288,806</b>	<b>\$ 88</b>	<b>\$ 88</b>	<b>\$ 6,674,148</b>	<b>\$ 2,786,082</b>

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

**HASKELL COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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**1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

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

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

**B. Fund Accounting**

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

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

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

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

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

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

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

**HASKELL COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

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

Civil Defense - accounts for the receipt and disbursement of funds from state and local governments for civil defense purposes.

Mortgage Fees - accounts for the collection of fees by the Treasurer for mortgage tax certificates and the disbursement of the funds as restricted by statutes.

Sheriff's Donations – accounts for the donations from citizens made to the Sheriff's Department for the operation of the office.

COPS Fund – accounts for grant monies received from the U.S. Department of Justice Community Oriented Policing Services Program used for deputies' salaries in the Sheriff's office.

Lake Patrol – accounts for monies received from the Corps of Engineers for patrolling services.

Community Service Sentencing Program Revolving - accounts for the collection of funding through the State Department of Corrections for administrative expenses and supervision of offenders.

Drug Fund - accounts for local contributions, grants, or drug forfeitures and is used for payments for confidential informants or purchases of illegal drugs in sting operations.

County Assessor Fees - accounts for the collection of fees for copies restricted by state statute.

County Clerk RM&P Revolving – accounts for fees collected for instruments filed in the County Clerk's office as restricted by statute for preservation of records.

Sheriff's Bullet-Proof Vest – accounts for local donations to be used for the purchase of bullet-proof vests.

EOP Grant – accounts for federal grants received to develop an emergency operations plan.

Community Development Block Grant - accounts for the federal funds passed through the Oklahoma Department of Commerce to be used for construction of a metal building for a maintenance shop in District 1.

**HASKELL COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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Hazard Mitigation - accounts for grant funds received from the Federal Emergency Management Agency. Disbursements are made to individuals for safe room projects.

Sheriff's County Jail Fund – accounts for social security benefits received on behalf of qualified inmates and disbursements as restricted by statutes.

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

Courthouse Security - accounts for monies allocated from the Court Fund for programs and services related to Courtroom/Judicial Security.

Jail Fund - Operations and Expenses - accounts for sales tax revenue and the disbursement of funds as restricted by the sales tax resolution.

Jail Funds – Bonds – accounts for sales tax revenue and the disbursement of funds as restricted by the sales tax resolution.

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

Gross Revenue - Operations and Expenses - accounts for sales tax revenue and the disbursement of funds as restricted by the sales tax resolution.

Gross Revenue - Bonds - accounts for sales tax revenue and the disbursement of funds as restricted by the sales tax resolution.

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

**C. Basis of Accounting**

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

**HASKELL COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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**D. Budget**

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

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

**E. Cash**

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

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

**F. Investments**

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

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



**HASKELL COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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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.

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. However, at June 30, 2007, the County was under-collateralized by \$174,927.

**G. Compensated Absences**

Vacation benefits are earned by the employee during the year and may not be accumulated. Employees with service years between 1 and 20 years earn 2 weeks per year. Employees with service years exceeding 20 years earn 3 weeks per year. Vacation leave is accrued monthly and must be earned before it is taken. Annual leave is not paid upon termination.

Sick leave benefits are accrued at the rate of 10 days per year and employees may accumulate up to 45 days. Sick leave is not paid upon termination.

**2. Ad Valorem Tax**

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

The assessed property value as of January 1, 2006, was approximately \$48,012,661.

The County levied 10.00 mills (the legal maximum) for general fund operations, 2.00 mills for county health department, 3.00 mills for emergency medical service, 4.00 mills for multi-county library, and .62 mill for sinking fund. In addition, the County collects the ad valorem taxes assessed by school districts and remits the ad valorem taxes collected to the appropriate taxing units.

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

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

**HASKELL COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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Current year tax collections for the year ended June 30, 2007, were approximately 97% percent of the tax levy.

**3. Fuel Tax**

The County receives major funding for roads and highways from a state imposed fuel tax. Taxes are collected by the Oklahoma Tax Commission. Taxes are imposed on all gasoline, diesel, and special fuel sales statewide. The County's share is determined on formulas based on the County population, road miles, and land area and is remitted to the County monthly. These funds are earmarked for roads and highways only and are accounted for in the county highway fund.

**4. Risk Management**

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

CompSource Oklahoma – The workers' compensation program is fully insured through a third party (CompSource Oklahoma). The program pays all legitimate workers' compensation claims. Under the program, the County has no deductible and no liability for deficits. There have been no significant reductions in coverage from the prior fiscal year.

**5. Long-term Obligations**

**Capital Leases**

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

**Judgments**

The County has a judgment which is being paid through the County's Sinking Fund in accordance with state law. The County is required to pay this judgment over a three year period.

**HASKELL COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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<u>Case Number</u>	<u>Original Judgment</u>
CJ-2006-147	\$67,314

Future principal payments that will become due are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$22,438	\$4,383	\$26,821
2009	\$22,438	\$1,628	\$24,066
2010	\$22,438	\$1,178	\$23,616

**6. Pension Plan**

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

Funding Policy. The contribution rates for each member category are established by the Oklahoma Legislature and are based on an actuarial calculation which is performed to determine the adequacy of contribution rates. County employees are required to contribute between 3.5% and 8.5% of earned compensation. The County contributes between 7.5% and 12.5% of earned compensation. Elected officials could contribute between 4.5% and 10% of their entire compensation. The County contributes 12.5% of earned compensation for elected officials. The County's contributions to the Plan for the years ending June 30, 2007, 2006, and 2005, were \$256,793, \$229,786, and \$179,505, respectively, equal to the required contributions for each year.

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

**7. Other Post Employment Benefits (OPEB)**

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

**HASKELL COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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**8. Contingent Liabilities**

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

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in management's opinion, the resolution of the matters will not have a material adverse effect on the financial condition of the County.

**9. Sales Tax**

The voters of Haskell County approved a ½% sales tax effective April 1, 2005. This sales tax will expire April 1, 2035. The sales tax was established to provide revenue for the City of Stigler Hospital Authority for renovation and expansion of the hospital and purchase of capital equipment, fixtures and furnishings necessary to support the expansion.

The voters of Haskell County approved a ½% sales tax effective April 1, 2006. This tax will terminate after 25 years from the effective date of the tax or at the date of retirement of any debt incurred related thereto, whichever is earlier. The sales tax was established for the acquisition, remodeling, construction, financing, furnishing, and equipping of a new county jail and criminal justice facility to be located in Haskell County, parking lots, streets and other capital facilities associated therewith, including design, construction, capital improvements, expenses, operations, equipment, fixtures and furnishing; with one-fourth (1/4) of the one-half (1/2) cent to provide for the maintenance and operations of said facilities.

On February 7, 1984, Haskell County voters approved a permanent sales tax of one percent, effective March 1, 1984. One hundred percent of the sales tax proceeds are to be used for general government.

**10. Residual Equity Transfer**

The County transferred \$88 from the COPS Fund to the County General Fund to close out the fund.

**HASKELL COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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**11. Restatement of Ending Balance, June 30, 2006**

The prior year ending cash balance for the General Fund was adjusted to correct errors for prior year warrants paid incorrectly from the General Fund. The net adjustment resulted in a decrease of \$629.

Ending balance, June 30, 2006	\$654,009
Less: Error correction	<u>629</u>
Ending balance, June 30, 2006, as restated	<u>\$653,380</u>

## **OTHER SUPPLEMENTARY INFORMATION**

**HASKELL 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, 2007**

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 653,317	\$ 653,317	653,380	\$ 63
Less: Prior Year Outstanding Warrants	(84,391)	(84,391)	(84,537)	(146)
Less: Prior Year Encumbrances	(79,066)	(79,066)	(78,610)	456
Beginning Cash Balances, Budgetary Basis	489,860	489,860	490,233	373
Residual Equity Transfer	-	-	88	88
Receipts:				
Ad Valorem Taxes	436,479	436,479	490,198	53,719
Charges for Services	60,000	60,000	71,215	11,215
Intergovernmental Revenues	942,190	993,422	1,691,531	698,109
Miscellaneous Revenues	8,500	8,500	60,828	52,328
Total Receipts, Budgetary Basis	1,447,169	1,498,401	2,313,772	815,371
Expenditures:				
County Sheriff	215,411	237,904	234,985	2,919
Total County Sheriff	215,411	237,904	234,985	2,919
County Treasurer	94,371	94,714	94,714	
Total County Treasurer	94,371	94,714	94,714	-
County Commissioners O.S.U. Extension	37,520	37,520	37,134	386
Total County Commissioners O.S.U. Extension	37,520	37,520	37,134	386
County Clerk	114,023	114,023	107,537	6,486
Total County Clerk	114,023	114,023	107,537	6,486
Court Clerk	88,423	88,423	79,377	9,046
Total Court Clerk	88,423	88,423	79,377	9,046
County Assessor	76,851	76,851	76,420	431
Total County Assessor	76,851	76,851	76,420	431
Revaluation of Real Property	153,800	185,738	175,554	10,184
Total Revaluation of Real Property	153,800	185,738	175,554	10,184

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

**HASKELL 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, 2007**

	Original Budget	Final Budget	Actual	Variance
General Government	879,972	872,838	737,806	135,032
Total General Government	879,972	872,838	737,806	135,032
Excise-Equalization Board	10,500	10,500	6,516	3,984
Total Excise-Equalization Board	10,500	10,500	6,516	3,984
County Election Expense	72,768	76,040	73,921	2,119
Total County Election Expense	72,768	76,040	73,921	2,119
Civil Defense	10,989	14,457	13,001	1,456
Total Civil Defense	10,989	14,457	13,001	1,456
County Audit Budget	4,801	4,801	4,801	
Total County Audit Budget	4,801	4,801	4,801	-
Sheriff Dispatcher	177,600	174,452	173,022	1,430
Total Sheriff Dispatcher	177,600	174,452	173,022	1,430
Total Expenditures, Budgetary Basis	1,937,029	1,988,261	1,814,788	173,473
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	\$ -	989,305	\$ 989,305
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			81,212	
Add: Current Year Outstanding Warrants			53,677	
Ending Cash Balance			<u>\$ 1,124,194</u>	

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



**HASKELL 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, 2007**

	County Health Department Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 61,988	\$ 61,988	\$ 61,988	\$ -
Less: Prior Year Outstanding Warrants	(819)	(819)	(819)	
Less: Prior Year Encumbrances	(10,304)	(10,304)	(10,281)	23
Beginning Cash Balances, Budgetary Basis	<u>50,865</u>	<u>50,865</u>	<u>50,888</u>	<u>23</u>
Receipts:				
Ad Valorem Taxes	87,296	87,296	98,040	10,744
Charges for Services		56,082	56,891	809
Miscellaneous Revenues			1,355	1,355
Total Receipts, Budgetary Basis	<u>87,296</u>	<u>143,378</u>	<u>156,286</u>	<u>12,908</u>
Expenditures:				
Health and Welfare	134,161	186,743	131,504	55,239
Capital Outlay	4,000	7,500	7,185	315
Total Expenditures, Budgetary Basis	<u>138,161</u>	<u>194,243</u>	<u>138,689</u>	<u>55,554</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	68,485	<u>\$ 68,485</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			10,141	
Add: Current Year Outstanding Warrants			697	
Ending Cash Balance			<u>\$ 79,323</u>	

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

**HASKELL COUNTY, OKLAHOMA  
DETAILED SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN CASH BALANCES—SINKING FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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Beginning Cash Balance	<u>\$ -</u>
Receipts:	
Ad Valorem Tax	<u>28,421</u>
Total Receipts	<u>28,421</u>
Disbursements:	<u>-</u>
Total Disbursements	<u>-</u>
Ending Cash Balance	<u>\$ 28,421</u>

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

**HASKELL COUNTY, OKLAHOMA**  
**NOTES TO OTHER SUPPLEMENTARY INFORMATION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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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 a comparison of the legally adopted budget with actual data. The "actual" data, as presented in the comparison of budget and actual, will differ from the data as presented in the Combined Statement of Receipts, Disbursements, and Changes in Cash Balances with Combining Information because of adopting certain aspects of the budgetary basis of accounting and the adjusting of encumbrances and outstanding warrants to their related budget year.

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

**2. Sinking Fund Schedule**

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

**HASKELL COUNTY, OKLAHOMA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
Passed Through State Department of Commerce:			
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	12007 CDBG 05	\$ 61,656
Total U.S. Department of Housing and Urban Development			<u>61,656</u>
<b>U.S. DEPARTMENT OF DEFENSE</b>			
Direct Grant:			
Payments to States in Lieu of Real Estate Taxes	12.112		16,791
Total U.S. Department of Defense			<u>16,791</u>
<b>U.S. DEPARTMENT OF INTERIOR</b>			
Direct Grant:			
Payments in Lieu of Taxes	15.226		48,290
Total U.S. Department of Interior			<u>48,290</u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>			
Passed Through State Department of Emergency Management:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	PA1678	680,359
Total U.S. Department of Homeland Security			<u>680,359</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$ 807,096</u></u>

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

**HASKELL COUNTY, OKLAHOMA  
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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Basis of Presentation

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

See independent auditor's report.

## **INTERNAL CONTROL AND COMPLIANCE SECTION**



# Oklahoma State Auditor & Inspector

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## **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  
HASKELL COUNTY, OKLAHOMA

We have audited the financial statement of Haskell County, Oklahoma, as of and for the year ended June 30, 2007, and have issued our report thereon dated February 7, 2012. We did not express an opinion on the financial statement because the County did not retain sufficient documentation related to cash disbursements in an amount material to the financial statement taken as a whole. We were engaged to conduct 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

Management of Haskell County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Haskell 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 Haskell County's internal control over financial reporting.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. 2007-1, 2007-3, 2007-20, 2007-21

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies. 2007-2, 2007-4, 2007-5, 2007-6, 2007-8, 2007-9

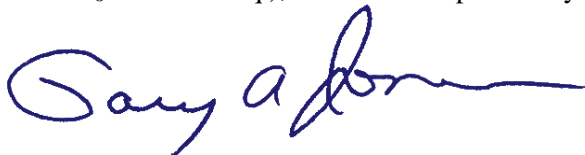
#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Haskell County's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2007-10.

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

Haskell 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 Haskell County's response and, accordingly, we express no opinion on it.

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.

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

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

February 7, 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  
HASKELL COUNTY, OKLAHOMA

### Compliance

We were engaged to audit the compliance of Haskell County, Oklahoma, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended June 30, 2007. Haskell 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 Haskell County's management.

As described in items 2007-17 and 2007-19, in the accompanying schedule of findings and questioned costs, Haskell County did not comply with relevant OMB Circular A-133 Compliance Requirements to its Disaster Grants – Public Assistance (97.036). Haskell County did not maintain documentation to support costs charged to the program: the County was unable to support the work performed with detailed documentation which should have included purchase orders, invoices and transfer documents to verify materials used; timesheets for the labor charged to the project; and a record of equipment usage. Without the detailed supporting documentation, there was no assurance that the work had been completed or that expenditures were expended in accordance with federal compliance requirements.

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

### Internal Control Over Compliance

Management of Haskell 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 Haskell 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

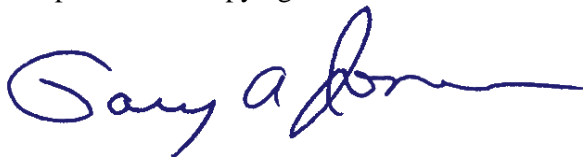
and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Haskell County's internal control over compliance.

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2007-15, 2007-16, and 2007-18 to be material weaknesses.

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

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

A handwritten signature in blue ink, appearing to read "Gary A. Jones", with a long horizontal flourish extending to the right.

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

February 7, 2012

**HASKELL COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

Financial Statements

Type of auditor's report issued: .....Adverse as to GAAP; disclaimer of opinion 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?..... Yes
- Significant deficiency(ies) identified ..... None reported

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

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

Identification of Major Programs

CFDA Number(s)

97.036

Name of Federal Program or Cluster

Disaster Grants - Public Assistance  
(Presidentially Declared Disasters)

Dollar threshold used to distinguish between

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

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

**HASKELL COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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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 2007-1 – Segregation of Duties**

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, the duties of receiving, receipting, recording, depositing cash and checks, reconciliations, and transaction authorization should be segregated.

Condition: A lack of segregation of duties exists in the Treasurer's office because all employees open mail, total remittances, write official receipts, receive money using one cash drawer for all employees, mail billings, and prepare and sign vouchers. Also, one employee authorizes purchases, prepares claims, approves payments, and writes and signs vouchers.

A lack of segregation of duties exists in the Clerk's office because all employees receive money, write receipts, balance cash drawers, prepare deposit slips, and take deposits to the Treasurer. The Clerk also writes and signs vouchers, authorizes purchases, prepares claims with supporting documentation, certifies receipt of goods, and approves claims for payment.

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

Recommendation: OSAI recommends management be aware of these conditions and realize that concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective controls lie in management's knowledge of office operations and a periodic review of operations.

Management Response: Management did not respond.

**Finding 2007-2 – Reconciliations**

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, bank reconciliations should be reviewed by someone other than the preparer. To help ensure accurate financial reporting, the appropriation ledger should be reconciled monthly to the general ledger.

Condition: Bank statement reconciliations did not have a signature of the preparer and there was no indication of a review by someone other than the preparer.

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

**HASKELL COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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Recommendation: OSAI recommends that the preparer of the reconciliation initial the bank reconciliation and someone other than the preparer review their work to ensure that the reconciliations are being performed properly and there are no errors in the calculations. OSAI further recommends that the appropriation ledger be reconciled to the general ledger on a monthly basis.

Management Response: Management did not respond.

**Finding 2007-3 – Segregation of Duties – Payroll**

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

Condition: A lack of segregation of duties exists in the Clerk's office because the Clerk performs the following:

- Enters the lists of employees and salary information into her computer.
- Calculates gross earnings of hourly employees using timesheets and hourly rates.
- Runs a payroll verification report and compares the report to the payroll claims provided by County Officers.
- Prints the payroll checks.
- Stamps checks with her signature and the signature of the Chairman of the Board of County Commissioners.
- The Commissioners sign the payroll totals report, not the individual payroll checks.

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

Recommendation: OSAI recommends management be aware of these conditions and realize that concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective controls lie in management's overseeing of office operations and a periodic review of operations. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risks involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office, and having management review and approval of accounting functions.

Management Response: Management did not respond.

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**Finding 2007-4 – Footnote Disclosures**

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

Condition: Internal controls have not been developed to prevent or detect misstatements in timely manner or to ensure all required disclosures are presented with the financial statement.

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

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

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

Management Response: Management did not respond.

**Finding 2007-5 – Purchase Orders and Encumbrances**

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.

Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, all documentation supporting county expenditures, including purchase orders, invoices, etc. should be retained by the County Clerk until such time as allowed for destruction of documents.

Title 19 O.S. § 1505.C.2 states:

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

Title 19 O.S. § 1505.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

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be used. No purchase order shall be valid unless signed by the county purchasing agent and certified by the county clerk.

Condition: Of the 63 purchase orders tested, we noted 6 exceptions where the goods or services were not encumbered prior to being received or ordered. Those purchase orders and the funds were the following:

- District 1 – PO's #282 and #315
- District 2 – PO #1746
- General Government R-2 – PO's #816 and #3533
- County Clerk RM-P-2 – PO #798

Also during our test work, the Clerk was unable to locate 18 purchase orders.

Effect: When the official does not properly encumber funds, purchasing controls are not effective with regard to the determination of funds being available for expenditure. OSAI was unable to properly test some purchase orders.

Recommendation: OSAI recommends funds be encumbered prior to the ordering and/or receiving of goods and services as set forth in 19 O.S. § 1505.C, and to ensure funds are available for all purchases made. Also, OSAI recommends purchase orders be maintained in accordance with 19 O.S. § 286.

Management Response: Management did not respond.

**Finding 2007-6 – Lack of Controls Over Computer Access**

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

Condition: Computers in the Treasurer's office are password protected, but they do not lock out users after periods of inactivity.

Effect: This condition exposes computers to unauthorized access, and increases the opportunities for misuse of county assets.

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Recommendation: OSAI recommends that computers are set to require a password to sign into the computer after a period of inactivity.

Management Response: Management did not respond.

**Finding 2007-8 – Payroll Access**

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

Condition: All County Clerk employees have the same access rights within the payroll software.

Effect: This condition allows all employees in the office the ability to make changes to payroll and increases the risk of misappropriation of county funds, and the accountability of the system is reduced.

Recommendation: OSAI recommends that only necessary employees be given access to make changes to the payroll system or view payroll information.

Management Response: Management did not respond.

**Finding 2007-9 – Paid Dates of Warrants**

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, the County Clerk should enter the paid date of checks into the payment system which would aid the reconciliation of the Clerk's information to the Treasurer's information.

Condition: While reconciling the Clerk's warrants issued to the Treasurer's disbursements, we found that the Clerk did not add the paid dates to the warrants in the payment system.

Effect: This condition could result in incomplete disbursement information and inhibits the ability to reconcile with the Treasurer.



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Recommendation: OSAI recommends the Clerk enter paid dates of warrants into the payment system and reconcile disbursements with the Treasurer.

Management Response: Management did not respond.

**Finding 2007-10 – Collateral**

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

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

Condition: During the months of December 2006 and June 2007, the County was under-collateralized \$192,092.36 and \$174,926.69, respectively.

Effect: By being under-collateralized, not only is the County Treasurer in violation of state statutes, but there is an increased risk of losing county funds if a bank were to default.

Recommendation: OSAI recommends the County Treasurer monitor county pledges routinely to ensure deposits are adequately secured and verify market values of pledged securities are adequate to secure County deposits at all the County's depository banks.

Management Response: Management did not respond.

**Finding 2007 – 20 – Lack of County-Wide Controls**

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

The control environment is the foundation for all other components of internal control. When management believes that internal controls are important to meeting its goals and objectives and communicates this belief to its employees at all levels, internal controls are more likely to be functioning

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well. However, if management views internal controls as unrelated to achieving its goals and objectives, or even as an obstacle, it is almost a certainty that this attitude will be held by all employees, despite official statements or policies to the contrary. This understanding by management of the importance of internal controls and the communication of this importance to its employees are key elements of the control environment.

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 of efficient and effective operations, reliable financial reporting, and compliance with laws and regulations.

For a county to run and control its operations, it must have relevant, reliable information, both financial and nonfinancial. That information should be recorded and communicated to management and others within the County who need it and in a form and within a time frame that enables them to carry out their internal control and operational responsibilities. In addition, the County needs to make sure that the forms of communications are broad-based and that information technology management assures useful, reliable, and continuous communications.

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

Condition: County-wide controls regarding Control Environment, Risk Management, Information and Communication, and Monitoring have not been designed.

Effect: This condition could result in noncompliance to grant requirements.

Recommendation: OSAI recommends the County implement internal controls to ensure compliance with grant requirements.

Management Response: Management did not respond.

**Finding 2007-21 – Missing Purchase Orders**

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, all documentation supporting county expenditures, including purchase orders and invoices, should be properly accounted for and retained by the County Clerk.

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Condition: Of the 63 purchase orders selected for test work, the County Clerk was unable to locate 18 purchase orders. When calculating the missing purchase orders within the range of our sample, we found there were 739 missing purchases amounting to \$910,815.55.

Effect: A scope limitation results when sufficient appropriate audit evidence is unable to be obtained.

Recommendation: OSAI recommends all documentation supporting county expenditures, including purchase orders and invoices, be properly accounted for and retained by the County Clerk.

Management Response: Management did not respond.

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

**Finding 2007-15 – FEMA – Schedule of Expenditures of Federal Awards**

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

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

**CFDA NO:** 97.036

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

**FEDERAL AWARD YEAR:** 2007

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

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

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

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

Subpart C—Auditees

§\_\_\_\_.300 Auditee responsibilities.

The auditee shall:

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

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

Condition: 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.

Effect: This condition could result in misstatements on the Schedule of Expenditures of Federal Awards.

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

Management Response: Management did not respond.

**Finding 2007-16 - Internal Controls Over Major Programs - FEMA**

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

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

**CFDA NO:** 97.036

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

**FEDERAL AWARD NUMBER:** 1678

**FEDERAL AWARD YEAR:** 2007

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

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

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

Subpart C—Auditees

§\_\_\_\_.300 Auditee responsibilities.

The auditee shall:

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

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

Condition: During the process of documenting the County's internal controls regarding federal disbursements, we noted the County has not established internal controls to ensure compliance with the

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following compliance requirements: Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort, and Earmarking; Period of Availability of Federal Funds; Procurement, Suspension and Debarment; and Special Tests and Provisions.

Effect: This condition could result in noncompliance to grant requirements.

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

Management Response: Management did not respond.

**Finding 2007-17 – Documentation of Federal Expenditures**

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

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

**CFDA NO:** 97.036

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

**FEDERAL AWARD NUMBER:** 1678

**FEDERAL AWARD YEAR:** 2007

**CONTROL CATEGORY:** Allowable Costs/Cost Principles; Procurement, Suspension and Debarment

**QUESTIONED COSTS:** \$96,755.55

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

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

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

Identify, in its accounts, all Federal awards received and expended and the Federal programs under which they are received. Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

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

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

- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect

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during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule.

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

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

Condition: When performing test work of the County's projects, it was noted that there was insufficient documentation to support the federal monies disbursed on disaster #1678 for Districts 1, 2, and 3. There were two projects (PW #872 and PW #700) totaling \$27,147.98 where no documentation was provided. For the remaining \$69,607.57 in questioned costs, there was limited documentation to support the work performed on the projects.

<b>District #</b>	<b>PW Number</b>	<b>Project Amount</b>	<b>Federal Share</b>	<b>Undocumented</b>
1	716	45,404.50	34,053.38	27,759.50
1	691	16,154.00	12,115.50	10,754.00
<b>Total District 1</b>		<b>\$61,558.50</b>	<b>\$46,168.88</b>	<b>\$38,513.50</b>
2	988	291,731.48	218,798.61	18,770.83
2	868	39,803.48	29,513.87	6,615.08
2	872	17,268.80	12,951.60	12,951.60
2	876	22,302.72	16,727.04	334.52
2	866	22,317.98	16,738.49	4,829.15
2	868/1	23,076.44	17,307.33	338.74
<b>Total District 2</b>		<b>\$416,500.90</b>	<b>\$312,036.94</b>	<b>\$43,839.92</b>
3	690	2,877.00	2,157.75	205.75
3	700	18,928.50	14,196.38	14,196.38
<b>Total District 3</b>		<b>\$21,805.50</b>	<b>\$16,354.13</b>	<b>\$14,402.13</b>
<b>Total</b>		<b>\$499,864.90</b>	<b>\$374,559.95</b>	<b>\$96,755.55</b>

Cause: County claims documentation was provided to FEMA and was either retained by FEMA or misplaced by the County.

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Effect: Districts 1, 2, and 3 were unable to document how they complied with the Allowable Costs/Cost Principles and Procurement, Suspension, and Debarment compliance requirements for these specific projects.

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

Management Response: Management did not respond.

**Finding 2007-18 – County Wide Controls Over Major Programs**

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

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

**CFDA NO:** 97.036

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

**FEDERAL AWARD NUMBER:** 1678

**FEDERAL AWARD YEAR:** 2007

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

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

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

The control environment is the foundation for all other components of internal control. When management believes that internal controls are important to meeting its goals and objectives and communicates this belief to its employees at all levels, internal controls are more likely to be functioning well. However, if management views internal controls as unrelated to achieving its goals and objectives, or even as an obstacle, it is almost a certainty that this attitude will be held by all employees, despite official statements or policies to the contrary. This understanding by management of the importance of internal controls and the communication of this importance to its employees are key elements of the control environment.

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

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and decide upon the internal control activities required to mitigate those risks and achieve the internal control objectives of efficient and effective operations, reliable financial reporting, and compliance with laws and regulations.

For a county to run and control its operations, it must have relevant, reliable information, both financial and nonfinancial. That information should be recorded and communicated to management and others within the County who need it and in a form and within a time frame that enables them to carry out their internal control and operational responsibilities. In addition, the County needs to make sure that the forms of communications are broad-based and that information technology management assures useful, reliable, and continuous communications.

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

Condition: County-wide controls regarding Control Environment, Risk Management, Information and Communication, and Monitoring have not been designed.

Effect: This condition could result in noncompliance to grant requirements.

Recommendation: OSAI recommends the County implement internal controls to ensure compliance with grant requirements.

Management Response: Management did not respond.

**Finding 2007-19 – Special Tests and Provisions**

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

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

**CFDA NO:** 97.036

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

**FEDERAL AWARD NUMBER:** 1678

**FEDERAL AWARD YEAR:** 2007

**CONTROL CATEGORY:** Special Tests and Provisions

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

Criteria: OMB Circular A-133 Compliance Requirement N, Special Tests and Provisions states in part:

For large projects, the State is required to make an accounting to FEMA of eligible costs. Similarly, the sub grantee must make an accounting to the State. In submitting the accounting, the entity is required to certify that reported costs were incurred in



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performance of eligible work, that the approved work was completed, that the project is in compliance with the provisions of the FEMA-State Agreement, and that payments for that project were made in accordance with the 44 CFR section 13.21 payment provisions. For improved and alternate projects, if the total cost of the projects does not equal or exceed the approved eligible costs, then the auditor should expect to see an adjustment to reduce eligible costs (44 CFR section 206.205).

Condition: When performing test work of the County's large projects, it was noted that there was no documentation to support that the County had submitted the appropriate certification to Oklahoma Emergency Management to be in accordance with grant specifications.

Effect: The County was not in compliance with compliance requirements.

Recommendation: OSAI recommends, for all large FEMA projects, the County inform the Office of the Oklahoma Emergency Management periodically of the status of the project and obtain documentation for the file, as outlined in the Sub grant Application in order to comply with OMB Circular A-133 compliance requirements.

Management Response: Management did not respond.

**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 2007-11 – Official Depository Account**

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, the official depository account for the Clerk should be reconciled monthly with the Treasurer's office. Reconciliations should be reviewed and approved by someone other than the preparer.

Condition: There is no documentation indicating the Clerk is reconciling the official depository account to the Treasurer's office.

Effect: By failing to reconcile accounts in a timely manner the risk of misstatement or misappropriation increases. As a result, misstatements or misappropriation of funds would not be detected on a timely basis.

Recommendation: OSAI recommends the Clerk take steps to ensure that reconciliations are performed on a monthly basis and that the reconciliation is reviewed and approved by someone other than the preparer.

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Management Response: Management did not respond.

**Finding 2007-12 – Monthly Reports**

Criteria: Title 19 O.S. § 684 states in part:

It shall be the further duty of all such officers, boards and commissions and the members and employees of either thereof, to make and file with the county clerk on or before the second Monday of each month, a verified report in writing showing the several sources, classes and amounts of money received by virtue or under color of office during the preceding calendar month, together with an itemized statement of the amount and purpose of all vouchers issued in disbursement, distribution and transfer thereof.

Condition: The County Clerk does not submit monthly reports to the Board of County Commissioners.

Effect: Monies received are not being properly accounted for or reported.

Recommendation: OSAI recommends the County Clerk implement policies and procedures to comply with 19 O.S. § 684, and ensure that the monthly reports submitted show the collections and disbursements for the month and that the ending balance agrees with the Treasurer's official depository ending balance for their office.

Management Response: Management did not respond.

**Finding 2007-13 – Cash Bonds**

Criteria: Title 19 O.S. § 682 states in part:

It shall be the duty of each and every county officer...to deposit daily in the official depository designated in Section 681 of this title, all monies, checks, drafts, orders, vouchers, property, fees, fines, forfeitures, and public charges of every kind received or collected by virtue or under color of office.

Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, receipts and vouchers should be issued in sequential order.

Condition: Our test work of cash bonds revealed the following:

- Cash bonds are not deposited daily.
- Receipts are not issued in sequential order.
- Depository vouchers are not issued in sequential order.
- No case number was filed for one individual, yet the bond was still in the account rather than being refunded. There was no voucher to the Court Clerk for this receipt.

Effect: These conditions increase the risk of misappropriations of county funds.

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Recommendation: OSAI recommends the Sheriff deposit cash bonds and issue vouchers to the Court Clerk on a daily basis. Receipts should be issued in sequential order and should indicate mode of payment.

Management Response: Management did not respond.

**Finding 2007-14 – Fixed Assets Inventory**

Criteria: Title 19 O.S. § 178.1 states in part:

The board of County Commissioners in each county of this state shall take, or cause to be taken, an inventory of all working tools, apparatus, machinery and equipment belonging to the county or leased or otherwise let to it or to any department thereof, other than that which is affixed to and made a part of lands and buildings, the cost of which as to each complete working unit thereof is more than Five Hundred Dollars (\$500.00), and therefore maintain or cause to be maintained a continuous inventory record thereof and of like tools, apparatus, machinery and equipment purchased, leased, or otherwise coming into custody of the county or of any office, board, department, commission or any or either thereof, and the disposition thereof whether sold, exchanged, leased, or let where authorized by statute, junked, strayed or stolen, and biennially thereafter....

Title 19 O.S. § 1502.A.1.b.(2) states:

An inventory system shall be administered for all supplies and materials of a county purchased in lots of Five Hundred Dollars (\$500.00) or more for use in the construction and maintenance of roads and bridges.

Condition: The equipment inventory lists for all of the offices were not up-to-date and an accurate inventory record was not on file with the County Clerk's office.

Effect: The lack of an accurate inventory record could result in unrecorded transactions and/or misappropriation of assets.

Recommendation: OSAI recommends the Board of County Commissioners cause to be taken a biennial inventory and a continuous inventory thereof of all working tools, apparatus, machinery, and equipment belonging to the County. We also recommend that these inventories be documented and filed with the County Clerk.

Management Response:

**Robin Rea, Haskell County Court Clerk**

I just wanted to let you know that I have begun taking steps to be in compliance with inventory. I have gotten a list from the County Clerk and I am in the process of updating the list of inventory. I intend to be in compliance before the next audit.



## OFFICE OF THE STATE AUDITOR AND INSPECTOR

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