

COUNTY AUDIT

HASKELL COUNTY

For the fiscal year ended June 30, 2009

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



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

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

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Oklahoma State Auditor & Inspector

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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, 2009. 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, 2009**

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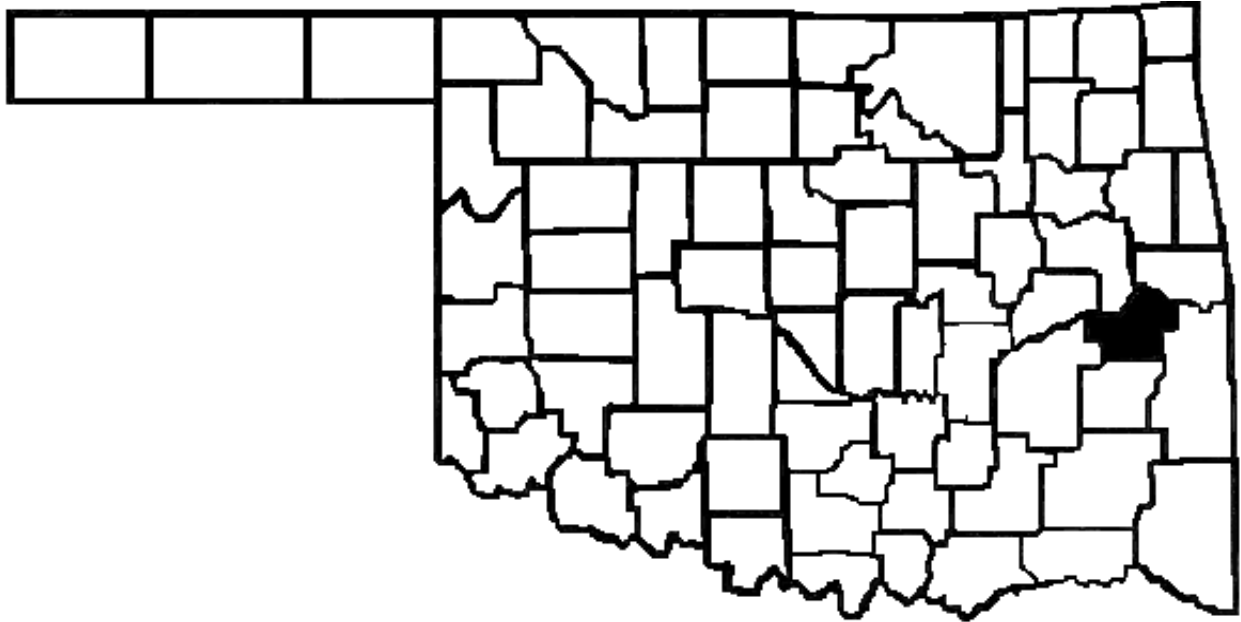
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**HASKELL COUNTY, OKLAHOMA
FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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



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 – 12,059
(2007 est.)

Farms – 914

Land in Farms – 290,260 Acres

Primary Source: Oklahoma Almanac 2009-2010

See independent auditor's report.

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

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

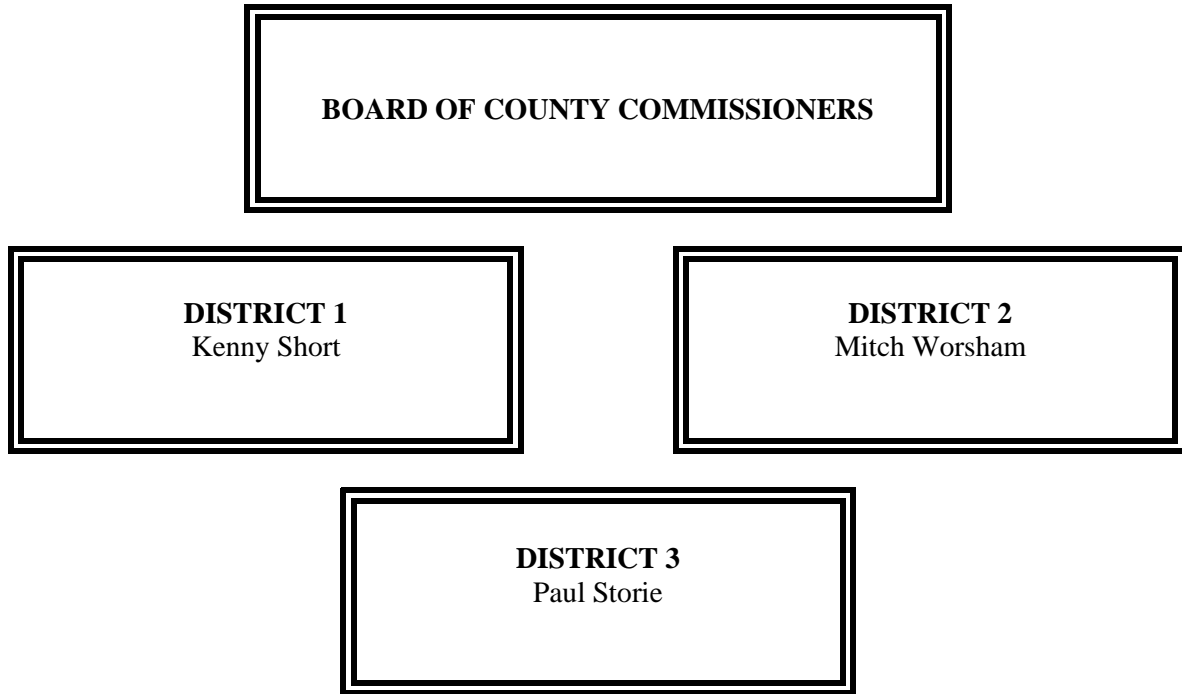
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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, 2009**



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, 2009**

COUNTY SHERIFF
Brian Hale

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, 2009**

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, 2009**

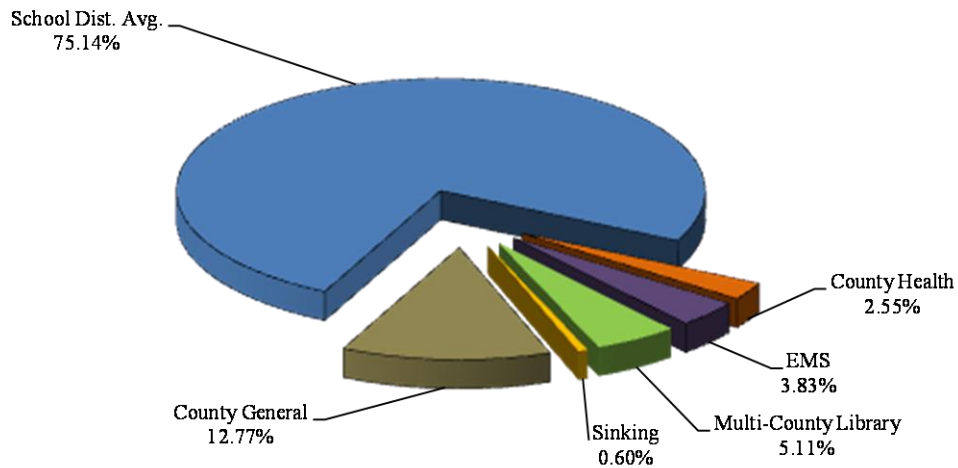
ELECTION BOARD SECRETARY Marcia Goff
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The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots 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, 2009**

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



County-Wide Millages		School District Millages								
				Gen.	Bldg.	Skg.	Career Tech	Career Tech Bldg.	Common	Total
County General	10.27									
County Health	2.05	Stigler	I-20	35.91	5.13	-	10.27	2.05	4.11	57.47
EMS	3.08	Keota	I-43	36.65	5.24	4.64	10.27	2.05	4.11	62.96
Multi-County Library	4.11	Kinta	I-13	35.84	5.12	-	10.27	2.05	4.11	57.39
Sinking	0.48	McCurtain	I-37	35.77	5.11	-	10.27	2.05	4.11	57.31
		Whitefield	C-10	35.91	5.13	-	10.27	2.05	4.11	57.47
		Quinton	J-17	35.74	5.11	12.68	10.27	2.05	4.11	69.96

See independent auditor's report.

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

Total net assessed value as of January 1, 2008		<u>\$ 50,617,671</u>
Debt limit - 5% of total assessed value		2,530,884
Total bonds outstanding	-	
Total judgments outstanding	22,438	
Less cash in sinking fund	<u>28,368</u>	<u>-</u>
Legal debt margin		<u>\$ 2,530,884</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, 2009
(UNAUDITED)

	<u>2009</u>
Estimated population	<u>12,059</u>
Net assessed value as of January 1, 2008	<u>\$ 50,617,671</u>
Gross bonded debt	-
Less available sinking fund cash balance	<u>28,368</u>
Net bonded debt	<u>\$ -</u>
Ratio of net bonded debt to assessed value	<u>0.00%</u>
Net bonded debt per capita	<u>\$ -</u>

See independent auditor's report.

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

Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2008	\$13,383,675	\$9,839,566	\$31,065,050	\$3,670,620	\$50,617,671	\$460,160,645

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

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated 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.

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

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

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

February 7, 2012

Basic Financial Statements

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

Combining information:	Beginning Cash Balances July 1, 2008	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2009
County General Fund	\$ 1,333,372	\$ 1,965,063	\$ 2,348,222	\$ 950,213
T-Highway	1,264,529	4,440,200	3,911,126	1,793,603
T-Highway Road and Bridge		886,986	648,521	238,465
Resale Property	43,833	36,684	9,274	71,243
County Health Department	83,793	165,526	120,956	128,363
Assessor Visual Inspection	22,249	279		22,528
County Clerk Lien Fees	27,045	22,440	30,706	18,779
Sheriff Service Fees	97,744	122,607	54,463	165,888
Mortgage Fees	12,873	2,343	3,394	11,822
Sheriff's Donations	7,502	11,388	8,801	10,089
Lake Patrol	16,666	15,432	2,564	29,534
Community Service Sentencing Program Revolving	309			309
Drug Fund	7,867	99		7,966
County Assessor Fees	23,510	6,394	3,860	26,044
County Clerk RM&P Revolving	44,650	22,880	24,838	42,692
Civil Defense - EMP Grant	1,984		1,859	125
Community Development Block Grant	17,500	17,500	35,000	
Sheriff's County Jail Fund	4,906	92,078	54,329	42,655
Sinking Fund	3,129	25,239		28,368
Courthouse Security	10,176	24,577	29,942	4,811
Hospital Sales Tax	44,826	630,425	593,174	82,077
Gross Revenue - Operations and Expenses	318,092	127,980	401,500	44,572
Gross Revenue - Bond	72,469	378,715	446,709	4,475
Gross Revenue - Administration		7,425		7,425
Combined Total--All County Funds	\$ 3,459,024	\$ 9,002,260	\$ 8,729,238	\$ 3,732,046

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, 2009**

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

T-Highway Road and Bridge - 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.

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

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

County Clerk Lien Fees - 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.

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.

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.

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

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 at District 1.

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.

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

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

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

Gross Revenue - Administration - accounts for sales tax revenue and the disbursement of administration 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.

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.

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

E. Cash

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

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

F. Investments

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

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

All investments must be backed by the full faith and credit of the United States Government, the Oklahoma State Government, fully collateralized, or fully insured.

G. Compensated Absences

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

<u>Years of Service</u>	<u>Vacation Leave</u>	<u>Accumulation Limits</u>
0-1 year	1 work week	0 days
2-15 years	2 work weeks	0 days
15 and over	3 work weeks	0 days

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

Vacation must be earned before it is taken. No vacation will be longer than 10 consecutive working days without permission of the appropriate elected official. Vacation schedules are subject to elected official approval. Vacation leave must be taken in increments of full days. No vacation leave shall be accumulated beyond the accumulation limit. Vacation leave will be accrued on a monthly basis and pro-rated, as appropriate, for less than full-time service.

All full-time Haskell County employees shall be entitled to sick leave with pay that is accrued on a monthly basis. Sick leave shall accumulate at a rate of 10 hours for each calendar month of service to the County. Sick leave may be accrued up to a maximum of 130 days. When terminating employment with the County, an employee may not collect pay for accrued sick leave.

2. Ad Valorem Tax

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

The assessed property value as of January 1, 2008, was approximately \$50,617,671.

Per Article 10, § 8A, with the repeal of personal property tax, the millages with the adjustment factor are 10.27 mills (the legal maximum) for general fund operations, 2.05 mills for county health department, 3.08 mills for emergency medical service, 4.11 mills for multi-county library and .48 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.

Current year tax collections for the year ended June 30, 2009, were approximately 98% 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

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

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.

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

During the year ended June 30, 2009, the County made no payments on this judgment. 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>
2010	\$22,438	\$1,178	\$23,616

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

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 9.5% and 14.5% of earned compensation. Elected officials could contribute between 4.5% and 10% of their entire compensation. The County contributes 14.5% of earned compensation for elected officials. The County's contributions to the Plan for the years ending June 30, 2009, 2008, and 2007, were \$373,624, \$309,202, and \$256,793, 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.

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.

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

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.

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, 2009

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 1,333,353	\$ 1,333,353	\$ 1,333,372	\$ 19
Less: Prior Year Outstanding Warrants	(116,735)	(116,735)	(93,861)	22,874
Less: Prior Year Encumbrances	(147,389)	(147,389)	(145,318)	2,071
Beginning Cash Balances, Budgetary Basis	1,069,229	1,069,229	1,094,193	24,964
Receipts:				
Ad Valorem Taxes	472,585	472,585	522,494	49,909
Charges for Services	61,000	61,000	69,055	8,055
Intergovernmental Revenues	1,208,430	1,154,865	1,332,174	177,309
Miscellaneous Revenues	10,000	10,000	41,340	31,340
Total Receipts, Budgetary Basis	1,752,015	1,698,450	1,965,063	266,613
Expenditures:				
County Sheriff	284,600	285,456	269,015	16,441
Total County Sheriff	284,600	285,456	269,015	16,441
County Treasurer	137,600	138,129	138,119	10
Total County Treasurer	137,600	138,129	138,119	10
County Commissioners	151,800	153,716	99,216	54,500
Total County Commissioners	151,800	153,716	99,216	54,500
County Commissioners O.S.U. Extension	41,647	41,647	41,590	57
Total County Commissioners O.S.U. Extension	41,647	41,647	41,590	57
County Clerk	139,800	140,148	132,940	7,208
Total County Clerk	139,800	140,148	132,940	7,208
Court Clerk	99,200	99,780	97,421	2,359
Total Court Clerk	99,200	99,780	97,421	2,359
County Assessor	86,700	86,816	86,741	75
Total County Assessor	86,700	86,816	86,741	75

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, 2009

	Original Budget	Final Budget	Actual	Variance
Revaluation of Real Property	168,268	168,732	167,120	1,612
Total Revaluation of Real Property	168,268	168,732	167,120	1,612
General Government	1,305,752	1,293,906	942,727	351,179
Total General Government	1,305,752	1,293,904	942,727	351,177
Excise-Equalization Board	9,500	9,824	9,824	
Total Excise-Equalization Board	9,500	9,824	9,824	-
County Election Expense	86,868	88,704	84,264	4,440
Total County Election Expense	86,868	88,704	84,264	4,440
Civil Defense	17,000	17,268	16,338	930
Total Civil Defense	17,000	17,268	16,338	930
County Audit Budget	10,209	10,209		10,209
Total County Audit Budget	10,209	10,209	-	10,209
Sheriff Dispatcher	232,300	233,344	229,992	3,352
Total Sheriff Dispatcher	232,300	233,344	229,992	3,352
County Hospital Budget	50,000			
Total County Hospital Budget	50,000	-	-	-
Total Expenditures, Budgetary Basis	2,821,244	2,767,679	2,315,307	452,372
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	\$ -	743,949	\$743,949
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			23,265	
Add: Current Year Outstanding Warrants			182,999	
Ending Cash Balance			<u>\$ 950,213</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, 2009

	County Health Department Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 83,793	\$ 83,793	\$ 83,793	\$ -
Less: Prior Year Outstanding Warrants	(3,242)	(3,242)	(3,173)	69
Less: Prior Year Encumbrances	(41,362)	(41,362)	(401)	40,961
Beginning Cash Balances, Budgetary Basis	<u>39,189</u>	<u>39,189</u>	<u>80,219</u>	<u>41,030</u>
Receipts:				
Ad Valorem Taxes	94,333	94,333	104,295	9,962
Charges for Services		57,521	59,183	1,662
Miscellaneous Revenues			2,048	2,048
Total Receipts, Budgetary Basis	<u>94,333</u>	<u>151,854</u>	<u>165,526</u>	<u>13,672</u>
Expenditures:				
Health and Welfare	128,522	186,043	128,743	57,300
Capital Outlay	5,000	5,000		5,000
Total Expenditures, Budgetary Basis	<u>133,522</u>	<u>191,043</u>	<u>128,743</u>	<u>62,300</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	117,002	<u>\$ 117,002</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			1,487	
Add: Current Year Outstanding Warrants			9,874	
Ending Cash Balance			<u>\$ 128,363</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, 2009**

Beginning Cash Balance	<u>\$ 3,129</u>
Receipts:	
Ad Valorem Tax	<u>25,239</u>
Total Receipts	<u>25,239</u>
Disbursements:	<u>-</u>
Total Disbursements	<u>-</u>
Ending Cash Balance	<u><u>\$ 28,368</u></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, 2009

1. Budgetary Schedules

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

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

2. Sinking Fund Schedule

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

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

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed Through State Department of Commerce:			
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	12794 CDBG-CIP 07	\$ 17,500
Total U.S. Department of Housing and Urban Development			<u>17,500</u>
U.S. DEPARTMENT OF DEFENSE			
Direct Grant:			
Payments to States in Lieu of Real Estate Taxes	12.112		32,522
Total U.S. Department of Defense			<u>32,522</u>
U.S. DEPARTMENT OF INTERIOR			
Direct Grant:			
Payments in Lieu of Taxes	15.226		107,396
Total U.S. Department of Interior			<u>107,396</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed Through State Department of Emergency Management:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	PA1754	733,247
Total U.S. Department of Homeland Security			<u>733,247</u>
Total Expenditures of Federal Awards			<u>\$ 890,665</u>

The accompanying notes are 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, 2009**

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 combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Haskell County, Oklahoma, as of and for the year ended June 30, 2009, which comprises Haskell County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated February 7, 2012. Our report on the basic financial statement was adverse because the statement is not a presentation in conformity with accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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 in internal control described in the accompanying schedule of findings and questioned costs to be material weaknesses in internal control over financial reporting. 2009-1, 2009-3, 2009-19

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting. 2009-2, 2009-4, 2009-5, 2009-6, 2009-8, and 2009-9

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 2009-10.

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 flourish at the end.

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 have audited 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 Haskell County's major federal program for the year ended June 30, 2009. 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. Our responsibility is to express an opinion on Haskell County's compliance based on our audit.

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

As described in item 2009-17, in the accompanying schedule of findings and questioned costs, we were unable to obtain sufficient documentation supporting the compliance of Haskell County with the Disaster Grants – Public Assistance (97.036) regarding their compliance with the OMB Circular A-133's Matrix of Compliance Requirements, nor were we able to satisfy ourselves as to Haskell County's compliance with those requirements by other auditing procedures.

Because of the effects of such noncompliance, with the requirements of the Disaster Grants – Public Assistance (97.036) regarding their compliance with the OMB Circular A-133's Matrix of Compliance Requirements, we were unable to apply other auditing procedures regarding the accuracy of its major federal program for the year ending June 30, 2009. The scope of our work was not sufficient to express, and we do not express, an opinion on Haskell County's compliance with the requirements described in 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 2009-15, 2009-16, and 2009-18 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 stylized, flowing script.

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, 2009**

SECTION 1—Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:

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

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

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?..... 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, 2009**

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

Finding 2009-1 – Segregation of Duties (Repeat Finding)

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 2009-2 – Reconciliations (Repeat Finding)

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.

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, 2009**

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.

Management Response: Management did not respond.

Finding 2009-3 – Segregation of Duties – Payroll (Repeat Finding)

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.

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

Finding 2009-4 – Footnote Disclosures (Repeat Finding)

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 2009-5 – Purchase Orders and Encumbrances (Repeat Finding)

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.

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

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

Condition: Of the 51 purchase orders tested, we noted 4 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 #462
- District 2 – PO #1693
- General Government R-2 – PO #2513
- County Hospital – PO #2192

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.

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.

Management Response: Management did not respond.

Finding 2009-6 – Lack of Controls Over Computer Access (Repeat Finding)

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.

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.

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

Finding 2009-8 – Payroll Access (Repeat Finding)

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 2009-9 – Paid Dates of Warrants (Repeat Finding)

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.

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.

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

Finding 2009-10 – Collateral (Repeat Finding)

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 2008 and January 2009, the County was under-collateralized \$1,361,049.24 and \$836,634.27, 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 2009 – 19 – Lack of County-Wide Controls (Repeat Finding)

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.

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

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.

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

Finding 2009-15 – FEMA – Schedule of Expenditures of Federal Awards (Repeat Finding)

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: 2009

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

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

QUESTIONED COSTS: \$-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.

(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 2009-16 - Internal Controls Over Major Programs - FEMA (Repeat Finding)

PASS THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: United States Department of Homeland Security

CFDA NO: 97.036

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

FEDERAL AWARD NUMBER: 1754

FEDERAL AWARD YEAR: 2009

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

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

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

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 2009-17 – Documentation of Federal Expenditures (Repeat Finding)

PASS-THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: United States Department of Homeland Security

CFDA NO: 97.036

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

FEDERAL AWARD NUMBER: 1754

FEDERAL AWARD YEAR: 2009

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

QUESTIONED COSTS: \$136,643.44

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

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

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

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

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

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

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

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

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

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

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 #1754 for Districts 1, 2, and 3. There was one project (PW #368) totaling \$43,702.43 where no documentation was provided. For the remaining \$92,941.01 in questioned costs, there was limited documentation to support the work performed on the projects.

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

District #	PW Number	Project Amount	Federal Share	Undocumented
1	764	53,845.23	39,633.92	8,534.22
Total District 1		\$53,845.23	\$39,633.92	\$8,534.22
2	372	60,810.54	45,607.91	15,873.14
2	373	59,533.87	44,650.40	18,159.62
2	368	58,269.91	43,702.43	43,702.43
Total District 2		\$178,614.32	\$133,960.74	\$77,735.19
3	271	47,513.05	35,634.79	10,634.79
3	275	41,815.34	31,361.51	18,924.30
3	278	53,994.95	40,496.21	12,691.27
3	817	36,816.64	27,612.48	8,123.67
Total District 3		\$180,139.98	\$135,104.99	\$50,374.03
TOTAL		\$412,599.53	\$308,699.65	\$136,643.44

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

Effect: Districts 1, 2, and 3 were unable to document how they complied with the Allowable Costs/Cost Principles and Procurement and 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 2009-18 – County Wide Controls Over Major Programs (Repeat Finding)

PASS THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: United States Department of Homeland Security

CFDA NO: 97.036

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

FEDERAL AWARD NUMBER: 1754

FEDERAL AWARD YEAR: 2009

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

QUESTIONED COSTS: \$-0-

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

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 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.

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

Recommendation: OSAI recommends the County implement internal controls to ensure compliance with grant 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 2009-11 – Official Depository Account (Repeat Finding)

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.

Management Response: Management did not respond.

Finding 2009-12 – Monthly Reports (Repeat Finding)

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.

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

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 2009-13 – Cash Bonds (Repeat Finding)

Criteria: Title 19 O.S. 2001 § 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.

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

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 2009-14 – Fixed Assets Inventory (Repeat Finding)

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

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

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. OSAI also recommends 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.

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

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

CFDA: 97.036

Federal Program: Disaster Grants - Public Assistance (Presidentially Declared Disasters)

Funding Agency: United States Department of Homeland Security

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

Status: Not Corrected

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

CFDA: 97.036

Federal Program: Disaster Grants - Public Assistance (Presidentially Declared Disasters)

Funding Agency: United States Department of Homeland Security

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

Status: Not Corrected

Finding 2007-17 – Documentation of Federal Expenditures

CFDA: 97.036

Federal Program: Disaster Grants - Public Assistance (Presidentially Declared Disasters)

Funding Agency: United States Department of Homeland Security

Finding Summary: 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.

Status: Not Corrected

Finding 2007-18 – County Wide Controls Over Major Programs

CFDA: 97.036

Federal Program: Disaster Grants - Public Assistance (Presidentially Declared Disasters)

Funding Agency: United States Department of Homeland Security

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

Status: Not Corrected

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

Finding 2007-19 – Special Tests and Provisions

CFDA: 97.036

Federal Program: Disaster Grants - Public Assistance (Presidentially Declared Disasters)

Funding Agency: United States Department of Homeland Security

Finding Summary: 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.

Status: Not Corrected



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