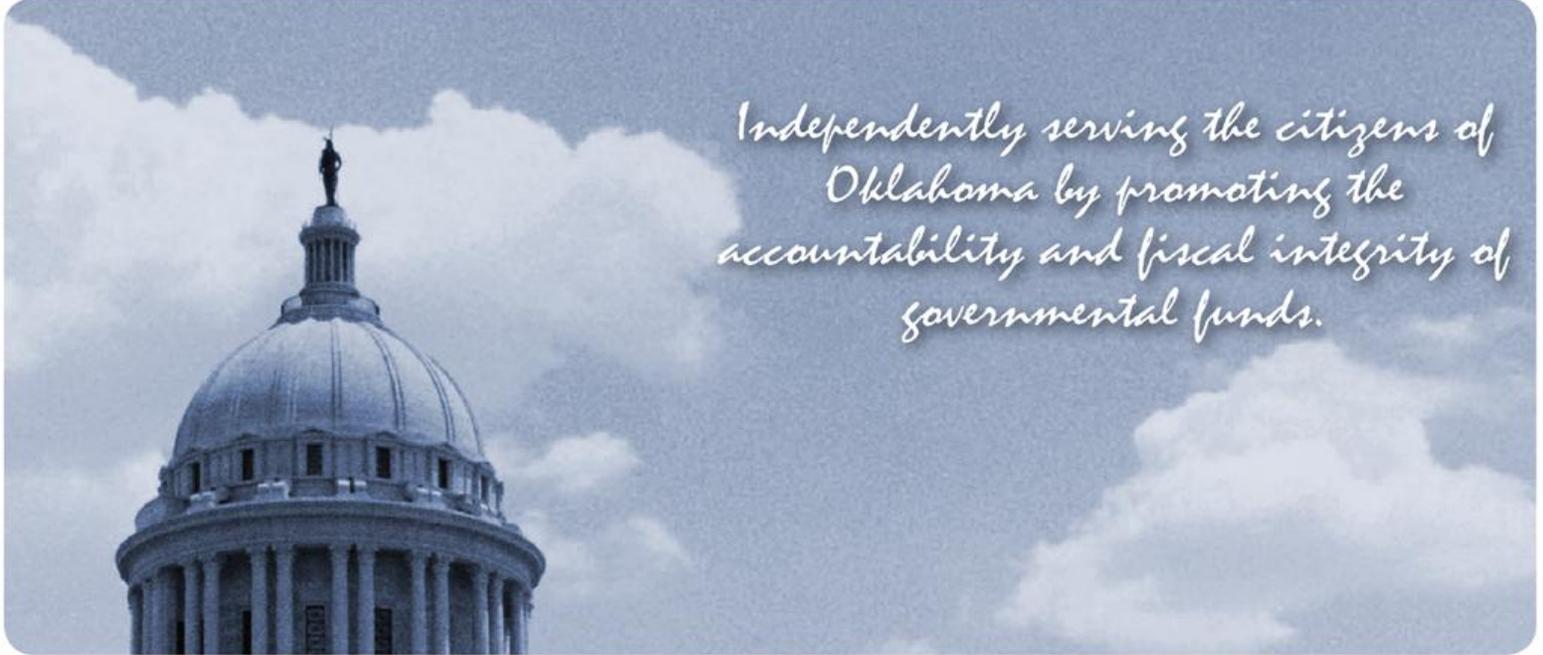


COUNTY AUDIT

HASKELL COUNTY

For the fiscal year ended June 30, 2010



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



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

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

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



Oklahoma State Auditor & Inspector

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

July 31, 2014

TO THE CITIZENS OF
HASKELL COUNTY, OKLAHOMA

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

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

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

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

Sincerely,

A handwritten signature in blue ink that reads "Gary A. Jones".

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

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

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

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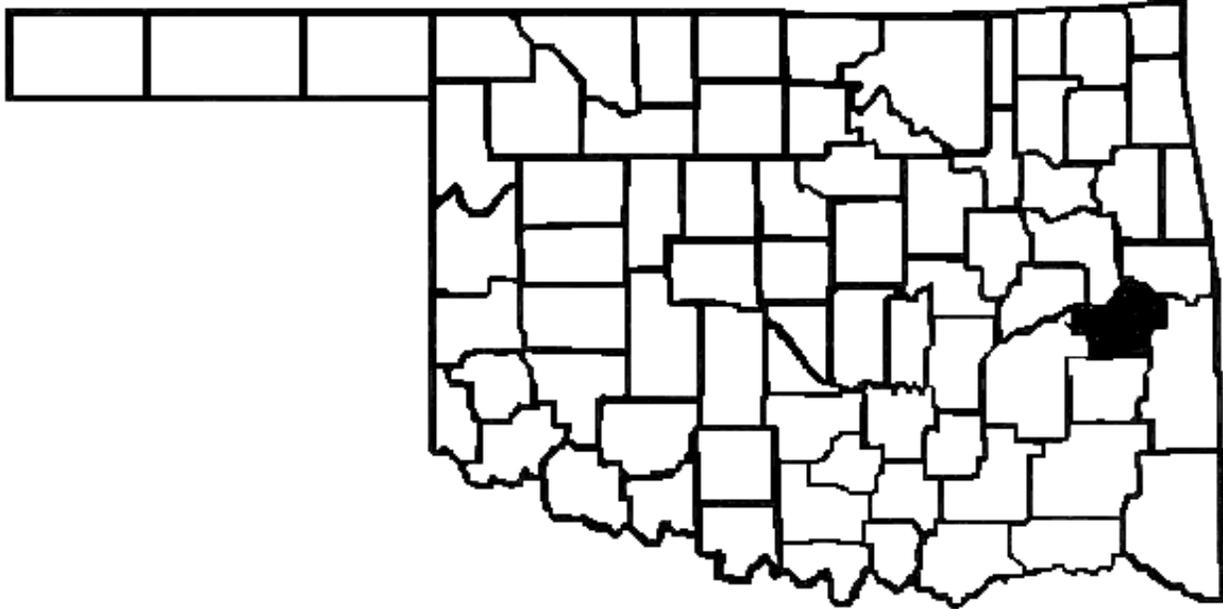
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**HASKELL COUNTY, OKLAHOMA
STATISTICAL INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**



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 of Oklahoma.

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 1800's. 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

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

Board of County Commissioners

District 1 – Kenny Short
District 2 – Mitch Worsham
District 3 – Paul Storie

County Assessor

Roger Ballard

County Clerk

Gail Brown

County Sheriff

Brian Hale

County Treasurer

Gale Dixon

Court Clerk

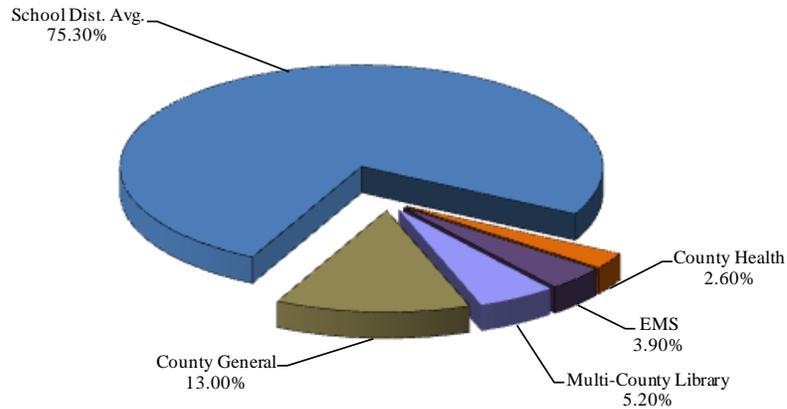
Robin Rea

District Attorney

Jim Bob Miller

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

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

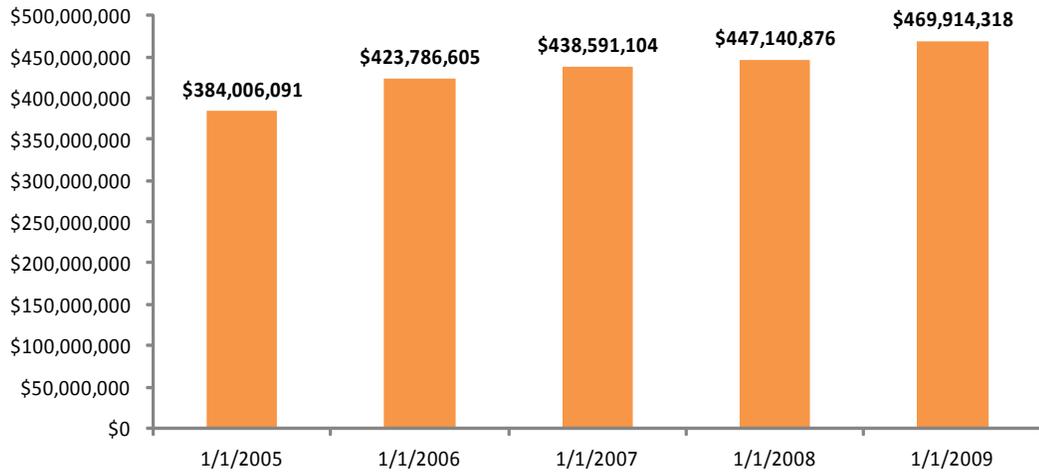


County-Wide Millages			School District Millages						
				Gen.	Bldg.	Skg.	Career		Total
							Tech	Common	
County General	10.27								
County Health	2.05	Whitefield	C-10	35.91	5.13	-	12.32	4.11	57.47
Multi-County Library	4.11	Kinta	I-13	35.84	5.12	-	12.32	4.11	57.39
EMS	3.08	Stigler	I-20	35.91	5.13	-	12.32	4.11	57.47
		McCurtain	I-37	35.77	5.11	-	12.32	4.11	57.31
		Keota	I-43	36.65	5.24	-	12.32	4.11	58.32
		Quinton	J-17	35.74	5.11	11.56	12.32	4.11	68.84

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

Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2009	\$13,295,747	\$10,169,409	\$33,499,270	\$3,761,435	\$53,202,991	\$469,914,318
1/1/2008	\$13,383,675	\$9,839,566	\$31,065,050	\$3,670,620	\$50,617,671	\$447,140,876
1/1/2007	\$14,120,230	\$10,641,570	\$29,001,935	\$3,644,420	\$50,119,315	\$438,591,104
1/1/2006	\$14,511,880	\$9,597,751	\$27,484,285	\$3,581,255	\$48,012,661	\$423,786,605
1/1/2005	\$11,678,615	\$8,805,850	\$26,322,915	\$3,295,865	\$43,511,515	\$384,006,091

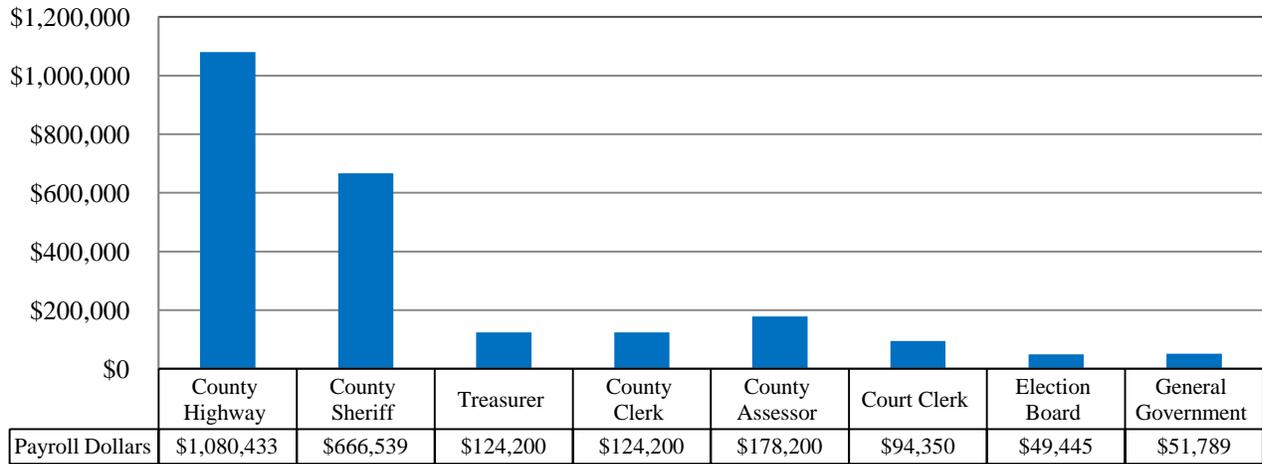
**Estimated
 Fair Market
 Value**



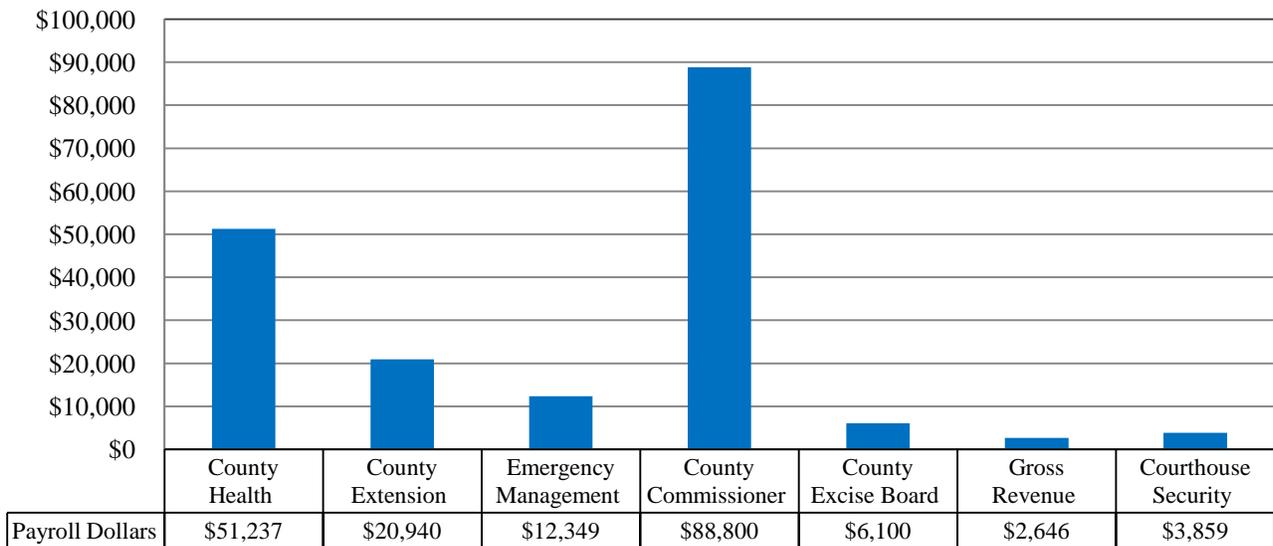
**HASKELL COUNTY, OKLAHOMA
COUNTY PAYROLL EXPENDITURES ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

County officers' salaries are based upon the assessed valuation and population of the counties. State statutes provide guidelines for establishing elected officers' salaries. The Board of County Commissioners sets the salaries for all elected county officials within the limits set by the statutes. The designated deputy or assistant's salary cannot exceed the principal officer's salary. Salaries for other deputies or assistants cannot exceed the principal officer's salary. The information presented below is for the fiscal year ended June 30, 2010.

Payroll Expenditures by Department



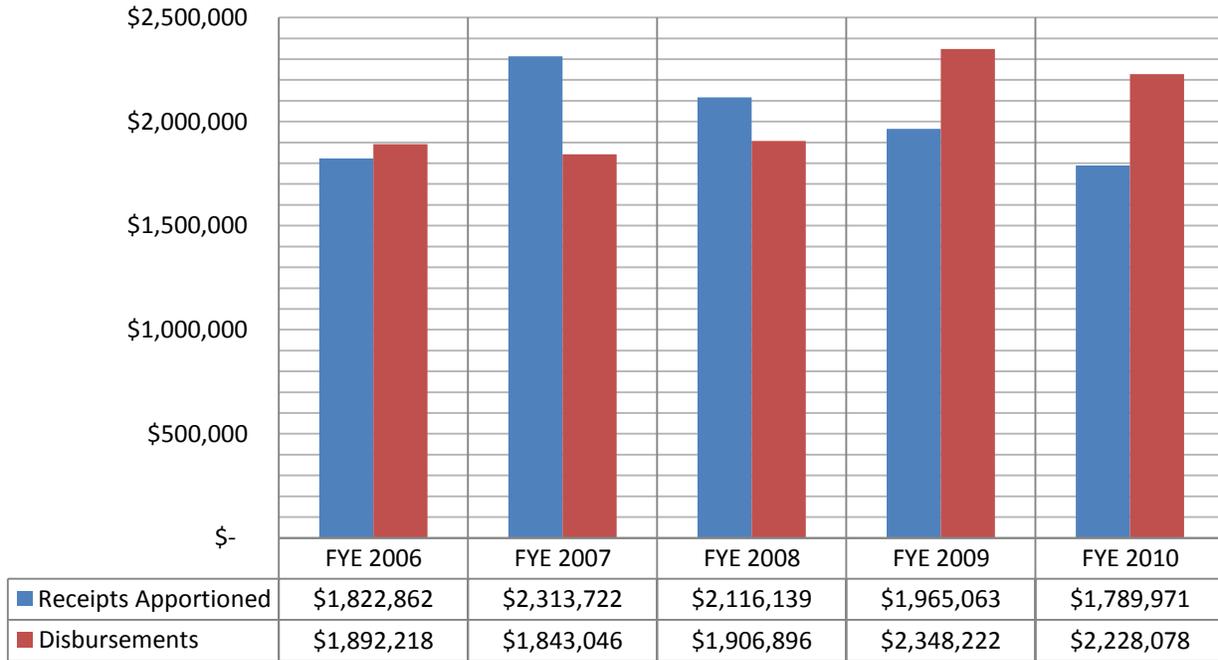
Payroll Expenditures by Department



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

County General Fund

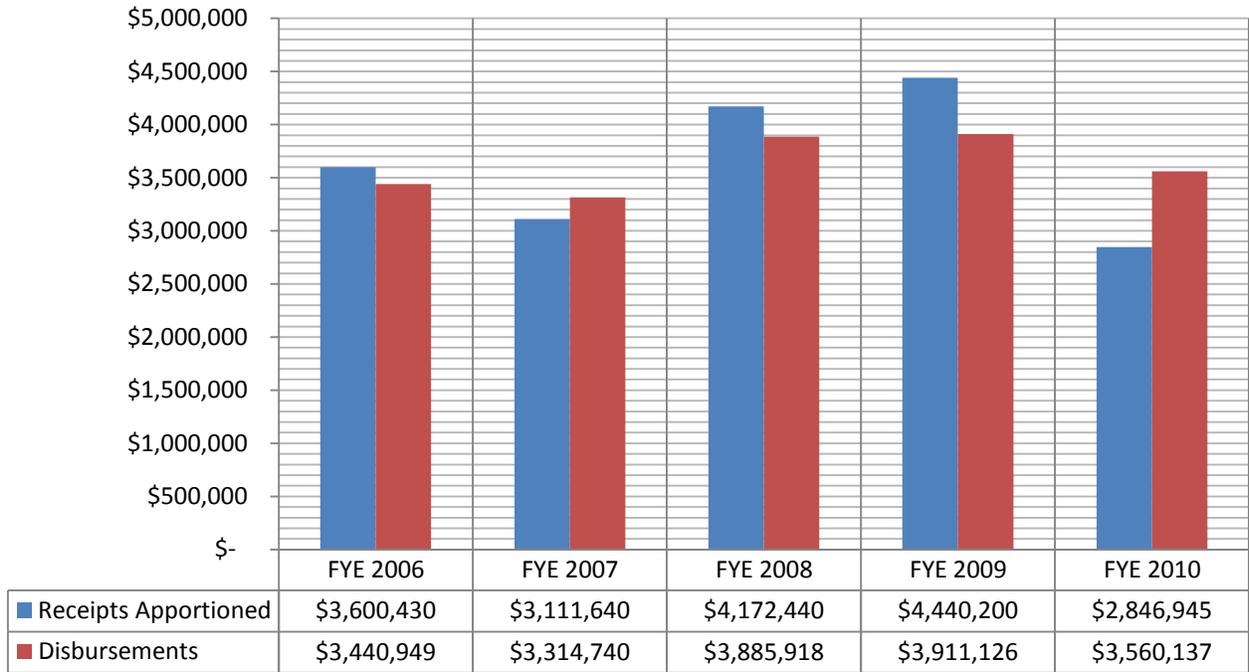
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also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



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

County Highway Fund

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



FINANCIAL SECTION



Oklahoma State Auditor & Inspector

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

Independent Auditor's Report

TO THE OFFICERS OF
HASKELL COUNTY, OKLAHOMA

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

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 30, 2014, 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 county funds on the financial statement. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statement. The remaining Other Supplementary Information, as listed in the table of contents, is presented for purposes of additional analysis, and is not a required part of the financial statement. Such supplementary information has been subjected to the auditing procedures applied in the audit of the combined total—all county funds on the regulatory basis Statement of Receipts, Disbursements and Changes in Cash Balances and, in our opinion, is fairly stated, in all material respects, in relation to the combined total—all county funds. The information listed in the table of contents under Introductory Section has not been audited by us, and accordingly, we express no opinion on it.

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

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

July 30, 2014

REGULATORY BASIS FINANCIAL STATEMENT

HASKELL COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS
(WITH COMBINING INFORMATION)—MAJOR FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Beginning				Disbursements	Ending
	Cash Balances	Receipts	Transfers	Transfers		Cash Balances
	July 1, 2009	Apportioned	In	Out		June 30, 2010
Combining Information:						
Major Funds:						
County General Fund	\$ 995,734	\$ 1,789,971	\$ -	\$ -	\$ 2,228,078	\$ 557,627
Gross Revenue - Operations and Expenses	44,572	27,712	-	-	36,554	35,730
Gross Revenue - Bond	4,475	402,136	-	-	379,317	27,294
T Highway	1,793,603	2,846,945	-	285,000	3,560,137	795,411
T-Highway Road and Bridge	-	153,355	302,621	-	455,976	-
Resale Property	71,243	29,462	-	-	13,040	87,665
County Health Department	128,363	160,817	-	-	190,855	98,325
BYRNE 2009 Grant	-	30,000	-	-	-	30,000
Sheriff County Jail Fund	42,655	417,242	-	-	353,987	105,910
Sinking Fund	28,368	379	-	-	24,065	4,682
Health Back to School Grant	-	1,000	-	-	-	1,000
Hospital Sales Tax	36,556	430,209	-	-	466,725	40
Remaining Aggregate Funds	340,587	174,467	-	-	108,565	406,489
Combined Total - All County Funds, as Restated	\$ 3,486,156	\$ 6,463,695	\$ 302,621	\$ 285,000	\$ 7,817,299	\$ 2,150,173

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, 2010**

A. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

B. Fund Accounting

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

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

County General Fund – revenues are from ad valorem taxes, officer's fees, sales tax, interest earnings, and miscellaneous collections of the County. Disbursements are for the general operations of the County.

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

Gross Revenue - Bond – accounts for sales tax revenue and the disbursement of funds as restricted by the sales tax resolution for the criminal justice facility.

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

T-Highway Road and Bridge – accounts for monies received from the Oklahoma Department of Transportation and reflects activity related to the Circuit Engineering Districts' Emergency

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

and Transportation Revolving Fund loan 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 the 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. Disbursements are for the operation of the county health department.

BYRNE 2009 Grant – accounts for grant funds used to support all components of the criminal justice system from multijurisdictional drug and gang task forces to crime prevention and domestic violence programs, courts, corrections, treatment, and justice information sharing initiatives.

Sheriff County Jail Fund – accounts for monies received for housing prisoners to be used for jail operating expenses.

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

Health Back to School Grant – accounts for receipt of grant monies and disbursements of funds as required in the grant agreement.

Hospital Sales Tax – accounts for the collection of the sales tax and disbursement of funds used for general operations of the county hospital.

C. Basis of Accounting

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

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

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

percent or greater of total county revenue. All other funds included in the audit shall be presented in the aggregate in a combining statement.

D. Budget

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

E. Cash and Investments

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

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

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

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

2. Ad Valorem Tax

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

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

which will result in the individual visual inspection of all taxable property within the county at least once each four (4) years."

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

3. Other Information

A. Pension Plan

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

Funding Policy. The contribution rates for each member category are established by the Oklahoma Legislature and are based on an actuarial calculation which is performed to determine the adequacy of contribution rates.

B. Other Post Employment Benefits (OPEB)

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

C. Contingent Liabilities

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

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

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

D. Long Term Obligations

1. Judgments

During the fiscal year the County retired the following judgment with a payment from the County Sinking Fund in the amount of \$24,065.

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

E. Sales Tax

The voters of Haskell County approved a permanent one percent (1%) sales tax effective March 1, 1984. One hundred percent (100%) of the sales tax proceeds are to be used for general government. These funds are accounted for the County General Fund.

The voters of Haskell County approved a one-half percent (1/2%) sales tax effective April 1, 2005. This sales tax will expire April 1, 2035. This 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. These funds are accounted for in the Hospital Sales Tax fund.

The voters of Haskell County approved a one-half percent (1/2%) percent 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 therein, including design, construction, capital improvements, expenses, operations, equipment, fixtures, and furnishings; with one-fourth (1/4) of one-half (1/2) cent to provide for the maintenance and operations of said facilities. These funds are accounted for in the Gross Revenue - Operations and Expenses, and the Gross Revenue - Bond funds.

F. Interfund Transfers

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

- The County transferred \$285,000 from the T- Highway fund to the T-Highway Road and Bridge Emergency Transportation Revolving Fund, a trust and agency fund, for the repayment of loans.

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

- The County transferred \$302,621 from the T-Highway Road and Bridge Emergency Transportation Revolving Fund, a trust and agency fund, to the T-Highway Road and Bridge to reimburse expenditures on bridge and road projects in the County.

G. Reclassification

Due to the reclassification of funds for fiscal year ending June 30, 2010, the beginning balance as reported is different than the June 30, 2009 ending balance. The difference is due to two funds being reported as county funds in fiscal year 2009 that should have been classified as trust and agency funds, resulting in a decrease of \$245,890.

Prior year ending balance, as reported	\$3,732,046
Funds reclassified to Trust and Agency Funds	<u>(245,890)</u>
Prior year ending balance, as restated	<u>\$3,486,156</u>

H. Restatement

The prior year's reported ending balance for the following funds were inaccurate and are being corrected in fiscal year 2010 beginning balance.

Fund	Ending Balance June 30, 2009	Beginning Balance July 1, 2009
County General Fund	\$950,213	\$995,734
Hospital Sales Tax	\$82,077	\$36,556

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, 2010

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 950,213	\$ 995,734	\$ 45,521
Less: Prior Year Outstanding Warrants	(202,713)	(202,713)	-
Less: Prior Year Encumbrances	(23,265)	(21,865)	1,400
Beginning Cash Balances, Budgetary Basis	<u>724,235</u>	<u>771,156</u>	<u>46,921</u>
Receipts:			
Ad Valorem Taxes	472,345	512,704	40,359
Charges for Services	61,000	58,712	(2,288)
Intergovernmental Revenues	1,155,706	1,196,374	40,668
Miscellaneous Revenues	6,500	22,181	15,681
Total Receipts, Budgetary Basis	<u>1,695,551</u>	<u>1,789,971</u>	<u>94,420</u>
Expenditures:			
District Attorney	290,600	290,593	7
County Treasurer	138,356	138,355	1
County Commissioners	88,800	88,800	-
OSU Extension	41,647	40,333	1,314
County Clerk	135,800	133,101	2,699
Court Clerk	105,650	99,292	6,358
County Assessor	86,700	86,625	75
Revaluation	163,268	161,696	1,572
General Government	840,699	817,181	23,518
Excise Board	9,500	7,152	2,348
County Election Board	87,476	86,688	788
County Audit Budget	15,268	-	15,268
Sheriff Dispatch	347,662	347,511	151
County Hospital	50,000	-	50,000
Emergency Management	18,360	14,854	3,506
Total Expenditures, Budgetary Basis	<u>2,419,786</u>	<u>2,312,181</u>	<u>107,605</u>
Excess of Receipts and Beginning Cash			
Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	248,946	<u>\$ 248,946</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		167,104	
Add: Current Year Encumbrances		<u>141,577</u>	
Ending Cash Balance		<u>\$ 557,627</u>	

**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, 2010**

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 128,363	\$ 128,363	\$ -
Less: Prior Year Outstanding Warrants	(9,873)	(9,873)	-
Less: Prior Year Encumbrances	(42,442)	(45,716)	(3,274)
Beginning Cash Balances, Budgetary Basis	76,048	72,774	(3,274)
Receipts:			
Ad Valorem Taxes	94,285	102,341	8,056
Charges for Service	57,908	57,052	(856)
Intergovernmental Revenues		28	28
Miscellaneous Revenues	-	1,396	1,396
Total Receipts, Budgetary Basis	152,193	160,817	8,624
Expenditures:			
Health and Welfare	228,241	145,304	82,937
Total Expenditures, Budgetary Basis	228,241	145,304	82,937
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	88,287	\$ 88,287
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		4,562	
Add: Current Year Outstanding Warrants		5,476	
Ending Cash Balance		\$ 98,325	

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

	Beginning Cash Balances July 1, 2009	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2010
Remaining Aggregate Funds:				
Assessor Visual Inspection	\$ 22,528	\$ 293	\$ -	\$ 22,821
County Clerk Lien Fees	18,779	10,464	17,616	11,627
Sheriff Service Fees	165,888	102,865	52,634	216,119
Mortgage Fees	11,822	1,989	387	13,424
Sheriff Donations	10,089	6,155	4,951	11,293
Lake Patrol	29,534	15,326	2,137	42,723
Community Service Sentencing Program Revolving	309	-	-	309
Drug Fund	7,966	81	3,726	4,321
County Assessor Fees	26,044	4,017	2,845	27,216
County Clerk RM&P Revolving	42,692	16,138	18,048	40,782
Civil Defense Donation	125	30	-	155
Courthouse Security	4,811	17,109	6,221	15,699
Combined Total - Remaining Aggregate Funds	\$ 340,587	\$ 174,467	\$ 108,565	\$ 406,489

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

1. Budgetary Schedules

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

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

2. Remaining County Funds

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

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 funds as restricted by statute.

Sheriff Donations – accounts for 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.

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

County Assessor Fees – accounts for the collection of fees for copies and disbursed as 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 Donation – accounts for the receipt and disbursement of funds donated for civil defense purposes.

Courthouse Security – accounts for monies allocated from the Court Fund for programs and services related to courtroom/judicial security.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. DEPARTMENT OF DEFENSE			
Direct Grant:			
Payments to States in Lieu of Real Estate Taxes	12.112		\$ 20,927
Total U.S. Department of Defense			<u>20,927</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed Through the Oklahoma Department of Emergency Management:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR-1876	190,748
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR-1883	345,905
Total U.S. Department of Homeland Security			<u>536,653</u>
Total Expenditures of Federal Awards			<u>\$ 557,580</u>

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

Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of 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*.

INTERNAL CONTROL AND COMPLIANCE SECTION



Oklahoma State Auditor & Inspector

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

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

TO THE OFFICERS OF
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, 2010, 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 July 30, 2014. 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. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County for the year ended June 30, 2010, on the basis of accounting prescribed by Oklahoma state law, described in Note 1. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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. 2010-1, 2010-2, 2010-5, 2010-8, 2010-12, and 2010-13.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting, 2010-3, 2010-10, 2010-17, and 2010-31.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2010-8, 2010-17, and 2010-31.

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 responses and, accordingly, we express no opinion on the responses.

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



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

July 30, 2014



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 Auditors 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, 2010. 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.

As described in item 2010-30, 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, 2010. 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 2010-28, 2010-29, and 2010-30 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, 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., section 24A.1 et seq.), and shall be open to any person for inspection and copying.



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

July 30, 2014

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

SECTION 1—Summary of Auditor’s Results

Financial Statements

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

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?..... Yes

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?..... Yes
- Significant deficiency(ies) identified? None reported

Type of auditor's report issued on
compliance for major programsDisclaimer 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, 2010**

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

Finding 2010-1 – Inadequate County-Wide Controls (Repeat Finding)

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

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

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

Recommendation: The Oklahoma State Auditor and Inspector’s Office (OSAI) recommends that the County design procedures to identify and address risks. OSAI also recommends that the County design monitoring procedures to assess the quality of performance over time. These procedures should be written policies and procedures and could be included in the County’s policies and procedures handbook.

Examples of risks and procedures to address risk management:

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

Examples of activities and procedures to address monitoring:

Monitoring	Procedures
Communication between officers	Periodic meetings to address items that should be included in the handbook and to determine if the County is meeting its goals and objectives.
Annual Financial Statement	Review the financial statement of the County for accuracy and completeness.
Schedule of Expenditures of Federal Awards (SEFA)	Review the SEFA of the County for accuracy and to determine all federal awards are presented.
Audit findings	Determine audit findings are corrected.
Financial status	Periodically review budgeted amounts to actual amounts and resolve unexplained variances.
Policies and procedures	Ensure employees understand expectations in meeting the goals of the County.

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

Monitoring	Procedures
Following up on complaints	Determine source of complaint and course of action for resolution.
Estimate of needs	Work together to ensure this financial document is accurate and complete.

Management Response:

County Commissioner, District 1: We want to comply with these recommendations and work to design controls regarding risk management and monitoring.

County Commissioner, District 2: We will work with the other County Officials to assess risks to the County and monitor County Financial activity.

County Commissioner, District 3: We will work with the other Officials to address these conditions.

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 met. 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.

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.

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

Finding 2010-2 – Disaster Recovery Plan

Condition: Upon inquiry, the following offices do not have a Disaster Recovery Plan:

- County Commissioners

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

- County Treasurer
- County Clerk

Cause of Condition: Policies and procedures have not been designed and implemented to prepare a formal Disaster Recovery Plan.

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

Recommendation: OSAI recommends the County Officials develop a Disaster Recovery Plan that addresses how critical information and systems within their offices would be restored in the event of a disaster.

Management Response:

County Commissioner, District 1: Chose not to respond.

County Commissioner, District 2: We will work with our Officials and see if we can implement a plan to protect the County.

County Commissioner, District 3: We will work with our Officials and see if we can implement a plan to protect the County.

County Treasurer: This is something all County Officers need to discuss together.

County Clerk: We will get in contact with OSU to get a copy of a Disaster Recovery Plan.

Criteria: An important aspect of internal controls is the safeguarding of assets which includes adequate Disaster Recovery Plans. Internal controls over safeguarding of assets constitute a process, affected by an entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention in a County being unable to function in the event of a disaster.

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

- Guidelines on how to use the recovery plan;
- Emergency procedures to ensure the safety of all affected staff members;
- Roles and responsibilities of information services function, vendors providing recovery services, users of services and support administrative personnel;
- Listing of systems requiring alternatives (hardware, peripherals, software);
- Listing of highest to lowest priority applications, required recovery times and expected performance norms;

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

- Various recovery scenarios from minor to loss of total capability and response to each in sufficient detail for step by step execution;
- Training and/or awareness of individual and group roles in continuing plan;
- Listing of contracted service providers;
- Logistical information on location of key resources, including back-up site for recovery operating system, applications, data files, operating manuals, and program/system/user documentation;
- Current names, addresses, telephone numbers of key personnel; and
- Business resumption alternatives for all users for establishing alternative work locations once IT services are available.

Finding 2010-3 – Inadequate Internal Controls Over Information Systems Security – County Treasurer and County Clerk (Repeat Finding)

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

- Passwords are not required to be changed on a quarterly basis in the County Treasurer's office.
- Passwords are shared between users in the County Clerk's office.
- Computers do not lock out users after a period of inactivity in the County Treasurer's and the County Clerk's offices.
- The server is not in a secure location in the County Clerk's office.

Cause of Condition: Policies and procedures have not been designed and implemented to prevent unauthorized access to data.

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

Recommendation: OSAI recommends the County work with IT personnel or in conjunction with software vendors to setup password requirements for length, character and an expiration of a minimum of at least every ninety days. In addition, OSAI recommends passwords not be shared and access to servers be limited.

Management Response:

County Treasurer: I will contact the ad valorem software provider regarding password recommendations. As of July 1, 2012, my office began using a financial software program; the passwords for the financial software are set up by the employee and the system automatically logs out of a period of inactivity.

County Clerk: We will get in contact with our software vendor about changing our computer passwords.

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

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

Finding 2010-5 – Inadequate Segregation of Duties – County Treasurer

Condition: A lack of segregation of duties exists in the Treasurer’s office. All employees open mail, total remittances, write official receipts, receive money, and mail billings. Further, all employees work out of the same cash drawer. Also, one employee authorizes purchases, prepares claims, approves payments, and writes and signs vouchers.

Cause of Condition: Internal controls have not been designed regarding segregation of duties.

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

Recommendation: OSAI recommends management be aware of these conditions and 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. OSAI recommends management provide segregation of duties so that no one employee is able to perform all accounting functions. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risks involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office, and having management review and approval of accounting functions.

Management Response:

County Treasurer: I segregate as well as I can with the employees that I have.

Criteria: Effective internal controls require that key functions within a process be adequately segregated to allow for prevention and detection of errors and possible misappropriation of funds.

Finding 2010-8 – Inadequate Internal Controls and Noncompliance Over Purchasing

Condition: While testing seventy-nine (79) purchase orders, we noted the following:

- Twenty-one (21) were not timely encumbered.

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

- Fourteen (14) did not have proper supporting documentation.

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

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

Recommendation: OSAI recommends that the County adhere to state purchasing guidelines. Purchase orders should be encumbered before goods or services are ordered and proper supporting documentation should be maintained.

Management Response:

County Commissioner District 1: There are times that we cannot get a purchase order encumbered before a purchase is made. We will work on this in the future.

County Commissioner District 2: This has been corrected. We will continue to make sure that all purchase orders are timely encumbered and that we have all documentation attached.

County Commissioner District 3: I will better educate myself on the purchasing process to help rectify these conditions.

County Clerk: I make a notation on the purchase order that it is not in compliance.

County Sheriff: Steps are being taken to comply with state requirements.

Criteria: Title 19 O.S. § 1505 prescribes the procedures established for the requisition, purchase, lease-purchase, rental, and receipt of supplies, material, and equipment for maintenance, operation, and capital expenditures of county government.

Finding 2010-10 – Inadequate Internal Controls Over Signature Stamp – County Commissioner

Condition: Upon inquiry, observation, and review of documents, we noted the following control weaknesses with regard to purchasing procedures:

- The County Clerk's office has control of the signature stamp for the Chairman of the Board of County Commissioners.

Cause of Condition: The Chairman does not have physical control of his signature stamp.

Effect of Condition: This condition could result in the unauthorized transactions and misappropriation of funds.

**HASKELL COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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Recommendation: OSAI recommends that signature stamps only be used by the official. Officials who utilize signature stamps should ensure that the stamp is adequately safeguarded from unauthorized use.

Management Response:

County Commissioner District 1: My signature stamp is only used for payroll purposes.

Auditor Response: The Chairman's signature stamp is not adequately safeguarded from unauthorized use.

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

Finding 2010-12 – Inadequate Segregation of Duties Over Payroll

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

- Enters the lists of employees and salary information into the 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.

Cause of Condition: Procedures have not been designed to ensure adequate segregation of duties in the County Clerk's office with regard to the payroll process.

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

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

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OSAI recommends management take steps to adequately segregate the following key accounting functions:

- Enrolling new employees and maintaining personnel files.
- Reviewing time records and preparing payroll.
- Approving payroll warrants.
- Distributing payroll warrants to individuals.

Management Response:

County Clerk: I was not the County Clerk during this audit period. I am working to segregate the payroll duties.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designed to analyze and check accuracy, completeness, and authorization of payroll calculations and/or transactions to allow for prevention and detection of errors and abuse. To help ensure a proper accounting of funds, key functions within the payroll process such as the duties of processing, authorizing, and payroll distribution should be adequately segregated.

Finding 2010-13 – Reconciliation of the Appropriation Ledger to General Ledger

Condition: Upon inquiry of the reconciliation process of apportioned receipts, disbursements, and cash balances between the County Treasurer and the County Clerk, documentation of the reconciliation is not maintained by either official.

Cause of Condition: Procedures have not been designed to ensure documentation of the reconciliation of the County Clerk's appropriation ledger to the County Treasurer's general ledger is maintained.

Effect of Condition: These conditions could result in unrecorded transactions and undetected errors.

Recommendation: OSAI recommends management take steps to ensure reconciliations are performed between the funds presented on the County Clerk's appropriation ledger and the County Treasurer's general ledger on a monthly basis. Documentation of this reconciliation should be reviewed and approved by someone other than the preparer.

Management Response:

County Treasurer: We will work with the County Clerk's office to document the reconciliation of the appropriation ledger to the general ledger.

County Clerk: We will initial and date account summary upon reconciliation with County Treasurer.

Criteria: Effective internal controls require that documentation of reconciliations performed be maintained for prevention and detection of errors and misappropriation of funds.

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Finding 2010-17 – Inadequate Internal Controls Over Pledged Collateral and Noncompliance with State Statute

Condition: Upon inquiry of County personnel, observation, and review of documents regarding the pledged collateral process, the following was noted:

- The County has not properly designed and implemented procedures to monitor the bank balance on a daily basis to ensure that county funds are adequately secured.

Furthermore, county funds were not adequately secured at one financial institution on the following days:

- On December 31, 2009, county funds were unsecured in the amount of \$1,532,887.64.
- On January 11, 2010, county funds were unsecured in the amount of \$17,421.32.

Cause of Condition: Policies and procedures have not been designed regarding monitoring of pledged collateral.

Effect of Condition: These conditions resulted in noncompliance with state statute and unsecured county funds and could result in possible loss of county funds.

Recommendation: OSAI recommends the County Treasurer document the monitoring of the daily bank balances to the pledged collateral to provide reasonable assurance that assets are adequately safeguarded.

Management Response:

County Treasurer: I will work to take care of this to ensure that County money is adequately secure.

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.”

Finding 2010-31 – Soliciting and Awarding Work Without Going through the Bid Process

Condition: During the fiscal years ended June 30, 2010 and June 30, 2011, the Board of County Commissioners solicited bids for bridge projects in District 1. The projects bid were Stroud Bridge and Star Bridge in fiscal year 2010, and Treadway Bridge in fiscal year 2011. The bid specifications did not include the dirt work and only included concrete, reinforcement steel, and the necessary forms for the structure.

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The bids were awarded for the following projects: Stroud Bridge – September 21, 2009; Star Bridge – February 16, 2010; and Treadway Bridge – August 22, 2011. None of the bids included the dirt work for the projects. Additionally, there was a project on County Road 4520, which no bids were solicited. The Commissioner District 1 hired a local vendor to perform the dirt work on these projects. Eleven purchase orders were issued to this vendor for a total payment of \$85,675.00, which included payments of \$38,255.00, \$27,850.00, and \$19,570.00 during fiscal years 2010, 2011, and 2012, respectively. The following items were noted:

- Bids were solicited for Stroud Bridge, Star Bridge, and Treadway Bridge projects for materials and labor, but did not include the dirt work. The exclusion of the dirt work for the bridge projects restricts the County from obtaining the best deal for the money spent.
- A bid number was shown on the purchase order giving the appearance bids had been solicited for the dirt work.
- Bids were not solicited for the repair of the bridge on County Road 4520.
- Commissioner District 1 hired a local vendor to perform the dirt work on these projects without soliciting bids.
- The work had been completed prior to Commissioner District 1 encumbering the funds. In two instances the work had been completed approximately three months before funds were encumbered.
- Some of the dates on the vendor’s invoices were altered to match the date encumbered on the purchase order.
- All purchase orders were issued for an amount under \$10,000, which gives the appearance bids were not required or purchase orders were split to avoid bidding.

The payments were made to this vendor for the following projects:

Stroud Bridge

Based on the invoices submitted, the dirt work on this project was started on December 21, 2009 and completed on August 5, 2010. The vendor was paid \$36,055.00 in fiscal year 2010 and \$18,240.00 in fiscal year 2011 for a total of \$54,295.00 on this project. The County was billed and paid for the following:

Billed For	Amount	Hours Charged
Trackhoe	\$33,800.00	338
Dozer	10,450.00	117
Welder	560.00	8
Truck	5,840.00	84
Roller	255.00	3
Hauling Equipment	2,750.00	25
Backhoe	<u>640.00</u>	<u>8</u>
Total	<u>\$54,295.00</u>	<u>575</u>

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Star Bridge

Based on the invoices submitted, the dirt work on this project was started on April 29, 2010 and completed May 5, 2010. The vendor was paid a total of \$2,200.00 in fiscal year 2010 on this project. The County was billed and paid for the following:

Billed for	Amount	Hours charged
Trackhoe	\$2,200.00	22

Treadway Bridge

Based on the invoices submitted, the dirt work on this project was started on August 23, 2011 and completed June 27, 2012. The vendor was paid a total of \$19,570.00 in fiscal year 2012 on this project. The County was billed and paid for the following:

Billed For	Amount	Hours Charged
Trackhoe	\$11,640.00	110
Dozer	4,990.00	53
Truck	1,540.00	22
Water Pump	600.00	-
Fencing and Labor	<u>800.00</u>	<u>-</u>
Total	<u>\$19,570.00</u>	<u>185</u>

Bridge on County Road (CR) 4520

Based on the invoices submitted, we were unable to determine when the dirt work on this project was started or completed. The vendor was paid a total of \$9,610.00 in fiscal year 2011 on this project. The County was billed and paid for the following:

Billed For	Amount	Hours Charged
Trackhoe	\$3,520.00	32
Dozer	1,600.00	16
Welder	1,500.00	13
Haul Truck	1,430.00	20
Truck and Trailer	600.00	6
Dump Truck	600.00	8
Truck and Tools	160.00	2
Guardrail	200.00	<u>-</u>
Total	<u>\$9,610.00</u>	<u>97</u>

Cause of Condition: Procedures have not been implemented regarding the purchasing process.

Effect of Condition: The County did not comply with bid procedures outlined in state statutes.

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Recommendation: OSAI recommends the County follow proper bidding procedures as outlined in state statutes and refrain from conducting business in any manner that suggests preferential treatment for one vendor at the exclusion of all other vendors.

Management Response:

County Commissioner District 1: At the present time, if a project is being done, the dirt work is being bid.

Auditor Response: During the audit period, this work was not properly bid.

Criteria: Best business practices would include following the competitive bidding process to ensure the taxpayers of the County receive the best value for their tax dollars.

Title 19 O.S. § 1501 A 3. states in part, “The county purchasing agent...Shall make purchases and rental or lease-purchase agreements only after following the bidding procedures as provided for by law, except:

a. when the purchase does not exceed Ten Thousand Dollars (\$10,000.00). All purchases made pursuant to this subparagraph shall be by a single purchase order. Splitting purchase orders which would result in paying an amount in excess of the limitations specified in this subparagraph is expressly prohibited. Any person convicted of violating the provisions of this subparagraph shall be guilty of a misdemeanor and such person shall forfeit the person's position or office.”

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

Finding 2010-28 – Inadequate County-Wide Controls Over Major Programs

PASS-THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: United States Department of Homeland Security

CFDA NO: 97.036

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

FEDERAL AWARD NUMBER: DR-1876 and DR-1883

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

QUESTIONED COSTS: \$-0-

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

Cause of Condition: Procedures have not been designed to ensure the County is in compliance with grant requirements.

Effect of Condition: These conditions resulted in noncompliance to grant requirements.

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

Examples of control environment and procedures to address control environment for federal programs:

Control Environment	Procedures
The communication to employees from management of its belief that internal controls are important to meeting goals and objectives of federal grants.	<ul style="list-style-type: none"> • Establish written policies and procedures regarding federal funds. • Provide resources and training for the proper handling of federal funds. • Establish a written policy with regards to reporting known or suspected misappropriation of federal funds.

Examples of risks and procedures to address risk management for federal programs:

Risks	Procedures
Errors and misstatements in reporting	Independent review by another employee
Fraudulent activity	Segregation of duties
Information lost to computer crashes	Daily backups of information
Noncompliance with laws and grant requirements	Attend workshops, ensure employees receive current compliance supplements
New employee errors	Training, attending workshops, monitoring

Examples and procedures to address information and communication for federal programs:

Information and Communication	Procedures
The information and communication required to prepare the County's SEFA.	<ul style="list-style-type: none"> • Designate one person to prepare the SEFA. • Each department submits a monthly summary of financial information to the designated SEFA preparer. • Record significant grant activity in the BOCC minutes. • Review and approve the SEFA in BOCC meeting.

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Examples of activities and procedures to address monitoring of federal programs:

Monitoring	Procedures
Communication between officers	Discussion in BOCC meetings to monitor progress of grant and compliance with grant requirements.
Schedule of Expenditures of Federal Awards (SEFA)	Review the SEFA of the County for accuracy and to determine all federal awards are presented.
Audit findings	Determine audit findings are timely corrected.
Financial status	Periodically review budgeted amounts to actual amounts and resolve unexplained variances.
Compliance with grant requirements	Ensure employees understand grant requirements for federal program and are provided with the latest version of the compliance supplement.

Management Response:

County Commissioner District 1: We will work with the other officials to fix this problem and to address these conditions.

County Commissioner District 2: I was not in office during this time period. However, we will continue to work with the other elected officials to fix this problem and address these conditions.

County Commissioner District 3: We will work with the other officials to fix this problem and to address these conditions.

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.

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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.

Finding 2010-29 – Lack of Internal Controls Over Federal Compliance Requirements – FEMA

PASS-THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: United States Department of Homeland Security

CFDA NO: 97.036

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

FEDERAL AWARD NUMBER: DR-1876 and DR-1883

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

QUESTIONED COSTS: \$-0-

Condition: During the process of documenting the County's internal controls regarding federal disbursements, we noted that Haskell County has not established procedures to ensure compliance with the following compliance requirements: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort, Earmarking; Period of Availability of Federal Funds; Procurement and Suspension and Debarment; and Special Tests and Provisions.

Cause of Condition: Procedures have not been designed to ensure compliance with OMB Circular A-133.

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Effect of Condition: This condition resulted 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 grant requirements.

Management Response:

County Commissioner District 1: I will work with the other commissioners and we will gain an understanding of these grant requirements.

County Commissioner District 2: I was not here during this audit period. I will work to gain an understanding of federal grants and the requirements for the grants.

County Commissioner District 3: We will work to gain an understanding of federal grant requirements.

Criteria: *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.

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

Finding 2010-30 – Lack of Supporting Documentation – FEMA

PASS-THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: United States Department of Homeland Security

CFDA NO: 97.036

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

FEDERAL AWARD NUMBER: DR-1883

CONTROL CATEGORY: Activities Allowed or Unallowed; Allowable Costs/Cost Principles

QUESTIONED COSTS: \$104,080.43

Condition: During the verification of the Schedule of Expenditures of Federal Awards, we determined that District 3 had four project worksheets totaling \$131,816.47, but only had supporting documentation for expenditures in the amount of \$27,736.04.

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Disaster	PW Number	PW Amount	Documented Expenditures	Variance
1883	439	\$ 22,912.08	\$ 4,199.24	\$ 18,712.84
1883	438	51,746.17	2,980.43	48,765.74
1883	654	45,475.56	20,556.37	24,919.19
1883	530	<u>11,682.66</u>	<u>0.00</u>	<u>11,682.66</u>
Total		<u>\$131,816.47</u>	<u>\$27,736.04</u>	<u>\$104,080.43</u>

Cause of Condition: The County has not designed procedures to ensure compliance with OMB Circular A-133.

Effect of Condition: These conditions resulted in the County having incomplete records and noncompliance with OMB Circular A-133. Documentation was not available for audit purposes.

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

Management Response:

County Commissioner District 1: I will not be responsible for another district not maintaining documentation.

County Commissioner District 2: I was not here during this audit period. We understand the importance of this condition, and will work towards maintaining complete and accurate documentation.

County Commissioner District 3: We will continue to work towards maintaining complete and accurate documentation.

Auditor Response: It is the responsibility of the County as a whole to work together to ensure compliance with federal grant requirements.

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 provisions of contracts or grant agreements, that could have a material effect on each of its Federal programs.

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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 informational 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.”

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

Finding 2010-18 – Inadequate Segregation of Duties - Court Clerk Expenditures

Condition: Upon inquiry and observation of the expenditure the following was noted:

Court Clerk Court Fund

The Court Clerk performs all of the duties pertaining to Court Fund expenditures:

- Requisitions;
- Prepares claims;
- Verifies goods/services were received;
- Approves claim for payment;
- Prepares voucher for payment;
- Registers vouchers with Treasurer; and
- Disburses voucher to vendor.

Court Clerk Revolving Fund

The Court Clerk performs all of the duties pertaining to the Court Clerk Revolving Fund expenditures:

- Requisitions;
- Prepares claims;
- Verifies goods/services were received;
- Approves claim for payment; and
- Disburses voucher to vendor.

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Cause of Condition: Procedures have not been implemented to ensure adequate segregation of duties regarding expenditures of the Court Fund and the Court Clerk Revolving Fund.

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

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

The following key accounting functions of the Court Clerk's office should be adequately segregated:

- Preparing claims;
- Reviewing and authorizing claims; and
- Distributing vouchers.

Management Response:

Court Clerk: We are limited because of having only four employees. We will do our best to correct the finding.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designed to analyze and check accuracy, completeness, and authorization of Court Fund and Court Clerk Revolving Fund claims to allow for prevention and detection of errors and abuse.

Finding 2010-19 – Inadequate Segregation of Duties - Court Clerk Receipts

Condition: Upon inquiry and observation of the receipt process, Court Clerk employees all write receipts, work from the same cash drawer, and make the deposit with the County Treasurer. Employees perform key duties such as receipting, posting to accounts, preparing deposit and making the deposit. Reconciliations are performed but documentation is not maintained with a signature and date of someone other than the preparer reviewing reconciliation.

Cause of Condition: Policies and procedures have not been designed to adequately segregate the duties regarding the process of receipting, depositing and reconciling.

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

Recommendation: OSAI recommends that management be aware of these conditions and determine if duties can be properly segregated. In the event that segregation of duties is not possible due to limited

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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. Reconciliations should be performed with documentation of review by someone other than the preparer.

Management Response:

Court Clerk: We are limited because of having only four employees; we will do our best to correct the finding.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designed to analyze and check accuracy, completeness, and authorization of the receipting process to allow for prevention and detection of errors and misappropriation of funds.

Finding 2010-22 – Inadequate Internal Controls and Noncompliance Over the Inmate Trust and Sheriff Commissary Funds

Condition: Regarding the Inmate Trust Fund account, the following was noted:

- One employee issues receipts, prepares and makes deposits, and performs all daily activities for the Inmate Trust Fund.
- Inmate ledger balances are not reconciled to the Inmate Trust Fund.
- Deposits are not made daily.
- Not all Inmate Trust Fund expenditures have two authorized signatures.
- There is not a Sheriff Commissary Fund set up on the County Treasurer's general ledger.
- Profit from commissary sales is paid into the Sheriff Jail Fund instead of the Sheriff Commissary Fund as required by statute.
- The Sheriff does not have a Sheriff Commissary Fund therefore they are unable to file an annual report with the Board of County Commissioners by January 15th of each year.

Additionally, while reviewing the expenditures the following was noted:

- Expenditures are made from the Inmate Trust Fund for purposes other than to the Sheriff Commissary Fund or refund to inmates.

Cause of Condition: Policies and procedures have not been designed regarding the Inmate Trust Fund. Additionally, a Sheriff Commissary Fund has not been established.

Effect of Condition: These conditions resulted in noncompliance with state statutes. Also, without proper accounting and safeguarding of the Inmate Trust Fund, there is an increased risk of misappropriation of funds.

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Recommendation: OSAI recommends the following:

- 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.
- Inmate Trust Fund monies should be maintained in a manner that reflects each inmate's trust deposits, disbursements, and account balances. The inmate's trust fund balances should be reconciled to the bank statements each month.
- Bank reconciliations should be performed on a monthly basis.
- All collections should be deposited daily.
- A Sheriff Commissary Fund should be established as required by statute.
- The Sheriff should file a report of the commissary with the County Commissioners by January 15th, of each year.
- All checks from the Inmate Trust Fund should have two authorized signatures.
- Expenditures should be made from the Sheriff Commissary Fund in accordance with 19 O.S. § 180.43.

Management Response:

County Sheriff: Steps are being taken to meet state requirements.

Criteria: Effective accounting procedures and internal controls are necessary to ensure stewardship and accountability of public funds. Safeguarding controls are an aspect of internal controls. Safeguarding controls relate to the prevention or timely detection of unauthorized transaction and unauthorized access to assets. Failure to perform tasks that are part of internal controls, such as reconciliations not performed or not timely prepared, are deficiencies in internal control. Further, reconciliations should be performed on a monthly basis.

Effective internal controls should provide for procedures wherein receipts for the monies collected are maintained and available for inspection and deposits are made in a timely manner.

Title 19 O.S. § 180.43 E. and D. states in part, "Any funds received pursuant to said operations shall be the funds of the county where the persons are incarcerated and shall be deposited in the Sheriff's Commissary Account. The sheriff shall be permitted to expend the funds to improve or provide jail services. The sheriff shall be permitted to expend any surplus in the Sheriff's Commissary Account for administering expenses for training equipment, travel or for capital expenditures. The claims for expenses shall be filed with and allowed by the board of county commissioners in the same manner as other claims. The Sheriff shall receive no compensation for the operation of said commissary. The sheriff shall file an annual report on any said commissary under his or her operation no later than January 15 of each year."

Title 19 O.S. § 531 A. states in part, "The county sheriff may establish a checking account, to be designated the "Inmate Trust Checking Account". The county sheriff shall deposit all monies collected from inmates incarcerated in the county jail into this

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checking account and may write checks to the Sheriff’s Commissary Account for purchases made by the inmate during his or her incarceration and to the inmate from unencumbered balances due the inmate upon his or her discharge.” In addition, Title 19 O.S. § 531 C. states, “Banking fees on the account may be paid out of the Sheriff Commissary Account or the county Sheriff’s Service Cash Fund.”

Finding 2010-25 – Inadequate Internal Controls and Noncompliance Over Fixed Asset Inventory

Condition: Upon inquiry and observation, the following weakness over fixed asset inventories was noted:

- The County has not designed procedures to perform and document an annual physical inventory of all fixed assets.

Additionally, we selected a sample of twenty-six fixed asset items from the inventory records and visually verified each item. Of the twenty-six fixed asset items tested, the following fifteen items were not in the County’s possession:

Office	Equipment	Serial Number
County Clerk	HP Laserjet 1300 Printer	CNCB907756
County Clerk	Okidata Printer	H20252
Emergency Management	Jeep Cherokee	1J4FT28585L589457
District 1	Homemade Gooseneck Trailer	OTC15287703103
District 1	John Deere Dozer	J231196T
District 1	Caterpillar Motorgrader	99E10784
District 1	Ingram Steel Wheel Roller	61152931
District 2	Chevrolet Pickup (Fire Truck)	CK62475114998
District 2	Caterpillar Dozer	10K1100
District 2	Caterpillar Motorgrader	12F13K1139
District 2	Yellow Transport Trailer (2000 Gal)	None
District 3	Chevrolet 1 Ton Truck	1GBHR34K9HS142664
District 3	Dresser Motorgrader	G810001U10045
District 3	1986 International Dump Truck	1HTLKTVR7GHA39248
District 3	Ferguson Roller	142488799

Cause of Condition: Procedures have not been designed and implemented with regard to effective internal controls over safeguarding of fixed assets by performing an annual physical inventory count, and creating and maintaining of a fixed asset inventory record.

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Effect of Condition: Failure to maintain accurate records of fixed asset inventories and perform a periodic physical inventory of fixed asset inventories could result in inaccurate records, unauthorized use, or misappropriation of fixed asset inventories.

Recommendation: OSAI recommends the County comply with 19 O.S. § 178.1 by performing and documenting a periodic inventory of fixed assets. The verification should be performed by an individual independent of the fixed asset recordkeeping process.

Management Response:

County Clerk: We are working in getting our inventory up to date and are working on performing an annual inventory review.

Emergency Management: I am currently updating inventory records and will have this taken care of.

County Commissioner District 1: We are currently updating our inventory and will maintain it accordingly.

County Commissioner District 2: Inventory is now up to date, and this condition has been resolved.

County Commissioner District 3: We have corrected this issue.

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

Title 19 O.S. § 178.1 states in part, "The board of county commissioners in each county of this state shall take, or cause to be taken, an inventory of all working tools, apparatus, machinery and equipment belonging to the county or leased or otherwise let to it or to any department thereof, other than that which is affixed to and made apart 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 either thereof, and the disposition thereof whether sold, exchanged, leased, or let where authorized by statute, junked, strayed or stolen and annually thereafter...."

Finding 2010-27 – Inadequate Internal Controls and Noncompliance Over Consumable Inventories

Condition: We noted that following while gaining an understanding of internal controls over consumable inventory, and testing compliance with state statutes over consumable inventory:

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District 1:

- Consumable records are not maintained that can be reconciled to the actual consumables on hand.
- A periodic review of consumable inventory is not performed.
- Transfer documents are not maintained.
- A fuel log is maintained, however the fuel log does not contain a balance that can be reconciled to the actual fuel on hand.

District 2:

- Consumable records are not maintained that can be reconciled to the actual consumables on hand.
- A periodic review of consumable inventory is not performed.
- Transfer documents are not maintained.
- A fuel log is maintained, however the fuel log does not contain a balance that can be reconciled to the actual fuel on hand.
- Fuel logs are not maintained for satellite fuel tanks.

District 3:

- Consumable records are not maintained that can be reconciled to the actual consumables on hand.
- A periodic review of consumable inventory is performed, but documentation of the review is not maintained.
- Transfer documents are not maintained.
- Fuel logs are not maintained for satellite fuel tanks.

Cause of Condition: Procedures have not been implemented for the accurate reporting of consumable inventories.

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

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

- Performing and documenting a periodic physical count of inventory.
- Separating the key functions of receiving, maintaining, and verifying consumable inventories.
- Maintaining a fuel log with all pertinent information and with a current balance.
- Reconciling fuel log periodically to fuel on hand and explain any variance or adjustments.

Management Response:

County Commissioner District 1: We are correcting this condition and will continue to maintain consumable inventory.

County Commissioner District 2: Procedures are being put into place to maintain documentation of consumable inventory, maintain fuel logs, and maintain consumable records.

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County Commissioner District 3: We will continue to monitor our fuel usage and our consumable records.

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

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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 NUMBER: DR-1754

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-

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.

Status: Not corrected.

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: DR-1754

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-

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; and Procurement and Suspension and Debarment.

Status: Not corrected.

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

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FEDERAL PROGRAM NAME: Disaster Grants - Public Assistance (Presidentially Declared Disasters)
FEDERAL AWARD NUMBER: DR-1754
CONTROL CATEGORY: Allowable Costs/Cost Principles; Procurement and Suspension and Debarment
QUESTIONED COSTS: \$136,643.44

Finding Summary: When performing testwork 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.

Status: Not corrected.

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: DR-1754
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-

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

Status: Not corrected.

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

PASS THROUGH GRANTOR: Oklahoma Department of Emergency Management
FEDERAL AGENCY: United States Department of Homeland Security
CFDA NO: 97.036
FEDERAL PROGRAM NAME: Disaster Grants - Public Assistance (Presidentially Declared Disasters)
FEDERAL AWARD NUMBER: DR-1678
CONTROL CATEGORY: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort, Earmarking; Period of Availability of Federal Funds; Procurement and Suspension and Debarment; and Special Tests and Provisions
QUESTIONED COSTS: \$-0-

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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: We do not believe this finding warrants further action because the Federal agency or pass-through entity is not currently following up with the County on this finding.

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

PASS THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: United States Department of Homeland Security

CFDA NO: 97.036

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

FEDERAL AWARD NUMBER: DR-1678

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

QUESTIONED COSTS: \$-0-

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: We do not believe this finding warrants further action because the Federal agency or pass-through entity is not currently following up with the County on this finding.

Finding 2007-17 – Documentation of Federal Expenditures

PASS-THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: United States Department of Homeland Security

CFDA NO: 97.036

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

FEDERAL AWARD NUMBER: DR-1678

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

QUESTIONED COSTS: \$96,755.55

Finding Summary: When performing testwork 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

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was provided. For the remaining \$69,607.57 in questioned costs, there was limited documentation to support the work performed on the projects.

Status: We do not believe this finding warrants further action because the Federal agency or pass-through entity is not currently following up with the County on this finding.

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

PASS THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: United States Department of Homeland Security

CFDA NO: 97.036

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

FEDERAL AWARD NUMBER: DR-1678

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

QUESTIONED COSTS: \$-0-

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

Status: We do not believe this finding warrants further action because the Federal agency or pass-through entity is not currently following up with the County on this finding.

Finding 2007-19 – Special Tests and Provisions

PASS THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: United States Department of Homeland Security

CFDA NO: 97.036

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

FEDERAL AWARD NUMBER: DR-1678

CONTROL CATEGORY: Special Tests and Provisions

QUESTIONED COSTS: \$-0-

Finding Summary: When performing testwork 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 Department of Emergency Management to be in accordance with grant specifications.

Status: We do not believe this finding warrants further action because the Federal agency or pass-through entity is not currently following up with the County on this finding.



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