

COUNTY AUDIT

HUGHES COUNTY

For the fiscal year ended June 30, 2009



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



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

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

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Oklahoma State Auditor & Inspector

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April 11, 2012

TO THE CITIZENS OF
HUGHES COUNTY, OKLAHOMA

Transmitted herewith is the audit of Hughes County, Oklahoma for the fiscal year ended June 30, 2009. The audit was conducted in accordance with 19 O.S. § 171.

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

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

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

Sincerely,

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

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

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

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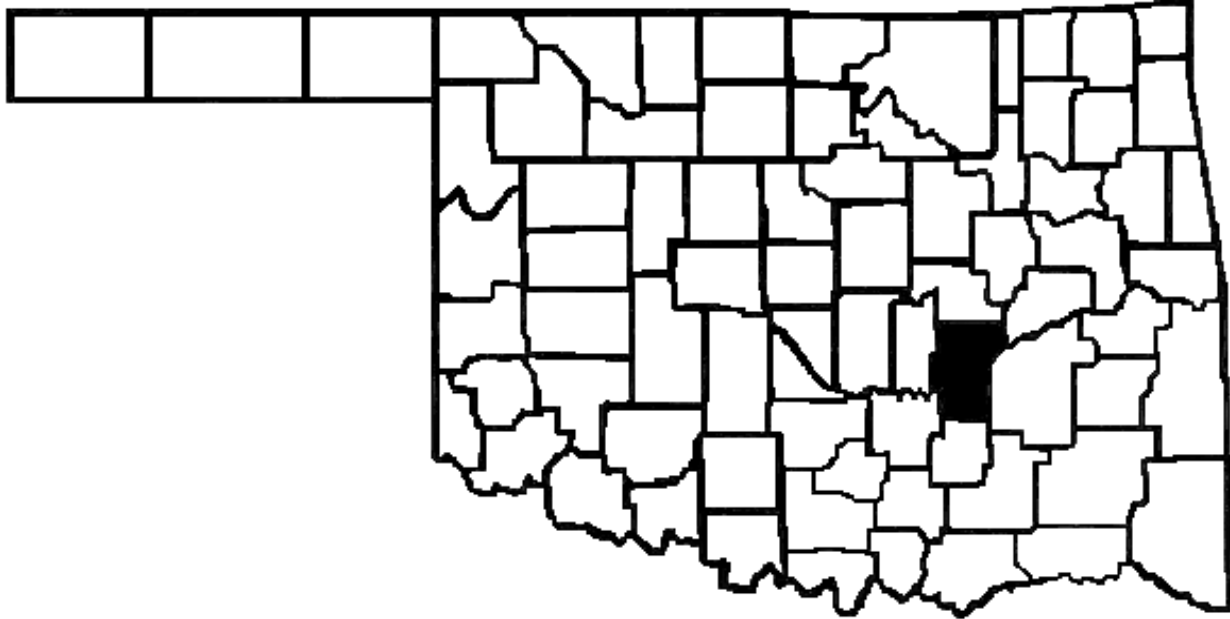
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**REPORT TO THE CITIZENS
OF
HUGHES COUNTY, OKLAHOMA**



Located in southeastern Oklahoma, Hughes County was created at statehood and named for W.C. Hughes, a member of the Oklahoma Constitutional Convention. Holdenville is the county seat.

Holdenville and Wetumka lakes provide recreational opportunities for the county, while other areas are available for hunting deer, dove, quail, duck, rabbit, and squirrel.

Annual events of interest include the IRA Rodeo and the Hog Wild Days in Holdenville, Sorghum Days in Wewoka, and Suckers Days in Wetumka.

The Hughes County Historical Society in Holdenville serves the area. For more information, call the county clerk's office at (405) 379-5487.

County Seat – Holdenville

Area – 814.64 Square Miles

County Population – 13,680
(2007 est.)

Farms – 1,026

Land in Farms – 441,040 Acres

Primary Source: Oklahoma Almanac 2009-2010

See independent auditor's report.

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

COUNTY ASSESSOR
Kathi Mask

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

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

COUNTY CLERK
Joquita Walton

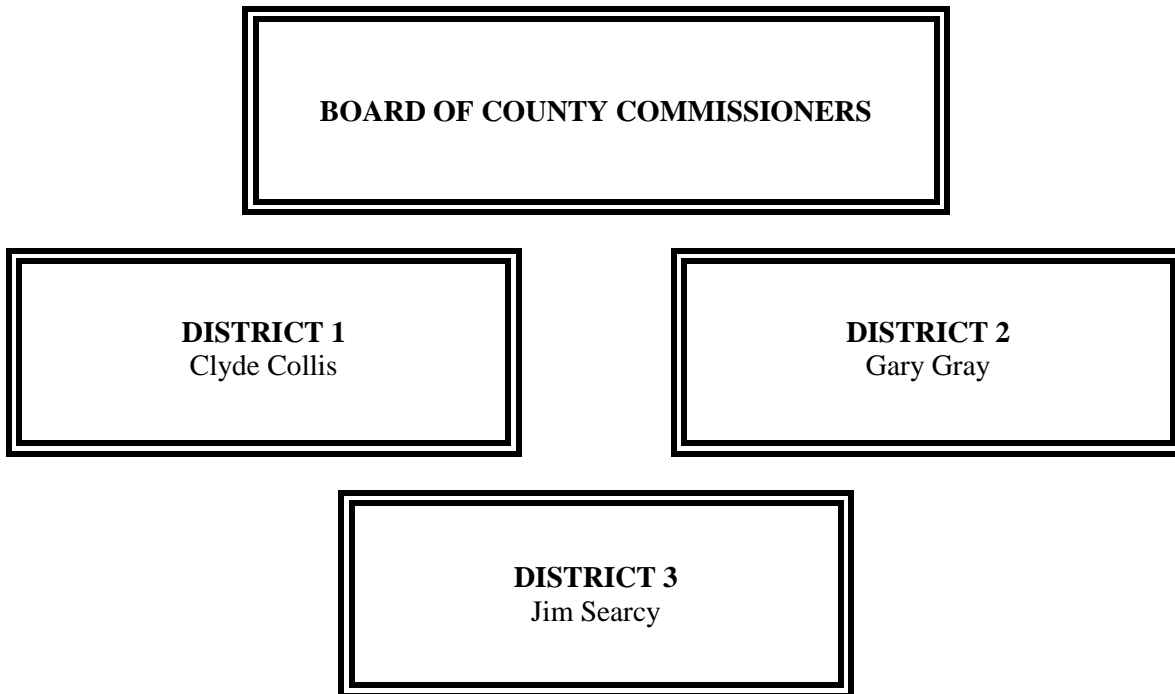
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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

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

See independent auditor's report.

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



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

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

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

See independent auditor's report.

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

COUNTY SHERIFF
Houston Yeager

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

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

COUNTY TREASURER
Bobby Smith

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

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

See independent auditor's report.

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

COURT CLERK
Sandy Moss

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

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

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

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

DISTRICT ATTORNEY
Chris L. Ross

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

See independent auditor's report.

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

ELECTION BOARD SECRETARY
Brandy West

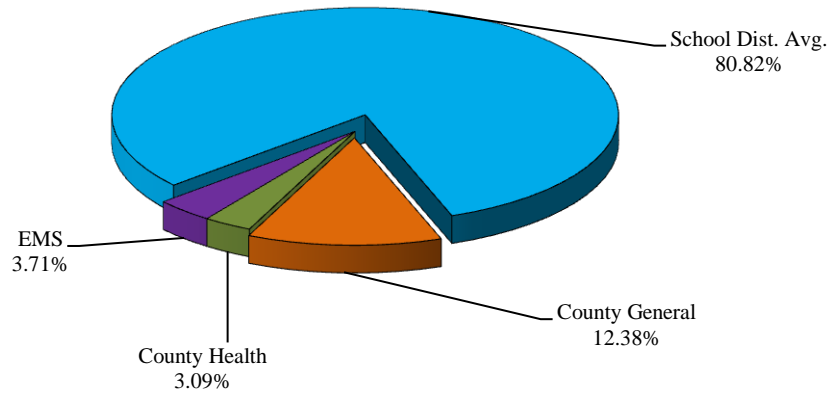
The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the county. The Board also conducts all elections held within the county.

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

See independent auditor's report.

**HUGHES COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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



County-Wide Millages		School District Millages								
				Gen.	Bldg.	Skg.	Career Tech	Career Tech Bldg.	Common	Total
County General	10.39									
County Health	2.59	Moss	I-1	36.15	5.26	13.31	5.23		4.15	64.10
EMS	3.11	Wetumka	I-5	36.41	5.20	27.04	5.23		4.15	78.03
		Dustin	I-9	36.80	5.26	8.22	5.23		4.15	59.66
		Holdenville	I-35	37.20	5.31		5.23		4.15	51.89
		Calvin	I-48	36.58	5.22	2.49	10.26	2.06	4.15	60.76
		Stuart	I-54	35.46	5.06	6.69	10.26	2.06	4.15	63.68
		Allen	J-1	35.98	5.14	7.92	10.29	2.00	4.15	65.48
		Wewoka	J-2	47.60	6.80	20.02	10.60	5.30	4.15	94.47
		Sasakwa	J-10	36.83	5.26	24.11	10.29	2.00	4.15	82.64
		Butner	J-15	37.09	5.30	15.69	10.60	5.30	4.15	78.13
		Weleetka	J-31	35.62	5.09		5.23		4.15	50.09

See independent auditor's report.

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

Total net assessed value as of January 1, 2008		<u>\$ 111,925,992</u>
Debt limit - 5% of total assessed value		5,596,300
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	-	<u>-</u>
Legal debt margin		<u>\$ 5,596,300</u>

See independent auditor's report.

**HUGHES COUNTY, OKLAHOMA
RATIO OF NET GENERAL BONDED DEBT TO ASSESSED
VALUE AND NET BONDED DEBT PER CAPITA
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)**

	2009
Estimated population	13,835
Net assessed value as of January 1, 2008	\$ 111,925,992
Gross bonded debt	-
Less available sinking fund cash balance	-
Net bonded debt	\$ -
Ratio of net bonded debt to assessed value	0.00%
Net bonded debt per capita	\$ -

See independent auditor's report.

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

Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2008	\$ 44,441,821	\$ 32,686,785	\$ 38,510,390	\$ 3,713,004	\$ 111,925,992	\$ 902,687,305

See independent auditor's report.

FINANCIAL SECTION



Oklahoma State Auditor & Inspector

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Independent Auditor's Report

TO THE OFFICERS OF
HUGHES COUNTY, OKLAHOMA

We were engaged to audit the financial statements of Hughes County, Oklahoma, as of and for the year ended June 30, 2009. The financial statements are the responsibility of Hughes County's management.

The County did not prepare financial statements in accordance with accounting principles generally accepted in the United States of America and in accordance with state law.

Since Hughes County did not prepare financial statements in accordance with accounting principles generally accepted in the United States of America and in accordance with state law, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 2, 2012, on our consideration of Hughes 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.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the basic financial statements. Since the basic financial statements were not prepared we were unable to subject this supplemental schedule to procedures performed as part of an audit of the basic financial statements. As a result, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the schedule of expenditures of federal awards in relation to the financial statements taken as a whole. The information listed in the table of contents under Introductory Section has not been audited by us, and accordingly, we express no opinion on it.

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

April 2, 2012

OTHER SUPPLEMENTARY INFORMATION

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

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed Through Oklahoma State Department of Commerce:			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	CDBG 12259	\$ 46,330
Total U.S. Department of Housing and Urban Development			<u>46,330</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed Through State Department of Emergency Management:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	1707	60,190
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	1712	146,069
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	1752	134,756
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	1754	382,329
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	1823	32,523
Total U.S. Department of Homeland Security			<u>755,867</u>
Total Expenditures of Federal Awards			<u>\$ 802,197</u>

The accompanying notes are an integral part of this schedule.
See independent auditor's report.

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

Summary of Significant Accounting Policies

The accompanying schedule of expenditures of federal awards has been prepared in conformity with the requirements set forth in the Single Audit Act of 1984, Public Law 98-502, the Single Audit Act Amendments of 1996, Public Law 104-156 and the Office of Management and Budget (OMB) Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations*.

A. Reporting Entity

The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. The reporting entity is the primary government of Hughes County.

B. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the primary government of Hughes County and is presented on the cash basis of accounting, which is a basis of accounting other than generally accepted accounting principles.

See independent auditor's report.

INTERNAL CONTROL AND COMPLIANCE SECTION



Oklahoma State Auditor & Inspector

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

TO THE OFFICERS OF
HUGHES COUNTY, OKLAHOMA

We were engaged to audit the financial statements of Hughes County, Oklahoma, as of and for the year ended June 30, 2009, and have issued our report thereon dated April 2, 2012. We did not express an opinion on the financial statements because the County did not prepare financial statements in accordance with accounting principles generally accepted in the United States of America. We were engaged to conduct our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Hughes 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 statements, 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 Hughes 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 a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

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 deficiency in internal control described in the accompanying schedule of findings and questioned costs to be a material weakness in internal control over financial reporting. 2009-1

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hughes County's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2009-1.

Hughes 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 Hughes County's responses and, accordingly, we express no opinion on them.

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

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

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

April 2, 2012



Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405-521-3495 • Fax: 405-521-3426

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

TO THE OFFICERS OF
HUGHES COUNTY, OKLAHOMA

Compliance

We have audited the compliance of Hughes 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 are applicable to its major federal program for the year ended June 30, 2009. Hughes 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 Hughes County's management. Our responsibility is to express an opinion on Hughes County's compliance based on our audit.

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

In our opinion, Hughes County, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2009. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as items 2009-3 and 2009-4.

Internal Control Over Compliance

Management of Hughes 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 Hughes 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 Hughes 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 a certain deficiency in internal control over compliance that we consider to be a material weakness.

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 deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2009-2 to be a material weakness.

Hughes 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 Hughes County's responses and, accordingly, we express no opinion on them.

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



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

April 2, 2012

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

SECTION 1—Summary of Auditor’s Results

Financial Statements

Type of auditor's report issued:..... Disclaimer of Opinion

Internal control over financial reporting:

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

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 programs: Unqualified 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

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
97.036	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

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

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

Finding 2009-1—Financial Statements (Repeat finding)

Criteria: For counties who have adopted the County Budget Act per 19 O.S. § 1403 and 19 O.S. § 1405 which states, —The accounting records of each county shall be established and maintained and financial statements prepared therefrom in conformity with generally accepted accounting principles promulgated from time to time by authoritative bodies in the United States...

Condition: The County has voluntarily adopted the County Budget Act and established uniform and sound fiscal procedures for the preparation, adoption, execution, and control of the County budget by cooperation of all elected officials. However, the County does not prepare financial statements, or have internal controls to ensure financial statements are prepared, in conformity with generally accepted accounting principles as provided by the County Budget Act.

Cause: Procedures have not been designed to ensure compliance with state statutes.

Effect: This condition results in the County not having financial statements and records prepared in conformity with generally accepted accounting principles as required by counties who have adopted the County Budget Act.

Recommendation: OSAI recommends the County prepare financial statements in conformity with generally accepted accounting principles.

Management Response: Management is aware of this situation; however, due to financial situations we are unable to comply with this statute at this time.

SECTION 3—Findings related to the Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

Finding 2009-2-Internal Controls Over Major Program (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: 1707, 1712, 1752, 1754, 1823

FEDERAL AWARD YEAR: 2009

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

CONTROL CATEGORY: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort, Earmarking; and Procurement and Suspension and Debarment
QUESTIONED COSTS: \$-0-

Criteria: Circular A-133 § __.300 (b) states that the auditee shall:

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

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

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

Cause: Procedures have not been designed to ensure compliance with grant requirements.

Effect: This condition could result in noncompliance to grant requirements

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

Management Response: Management will implement changes based on Auditors recommendations to fulfill the requirements for Internal Controls over Major Programs.

Finding 2009-3-Supporting Documentation (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: 1752, 1754

FEDERAL AWARD YEAR: 2009

CONTROL CATEGORY: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Procurement and Suspension and Debarment

QUESTIONED COSTS: \$3,824.35

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

Criteria: Circular A-133 § __.300 (b) states that the auditee shall:

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

Condition: The following exceptions were noted:

- Project worksheet #304
Equipment rates used for the project did not agree to the allowable rates approved by FEMA. Incorrect equipment rates resulted in \$1,099.97 charged in excess to project.
- Project worksheet #341
Equipment rates used for the project did not agree to the allowable rates approved by FEMA. Incorrect equipment rates resulted in \$2,537.48 charged in excess to project.
- Project worksheet #79
Equipment rates used for the project did not agree to the allowable rates approved by FEMA. Incorrect equipment rates resulted in \$186.90 charged in excess to project.

Cause: Procedures have not been designed to ensure compliance with grant requirements.

Effect: This condition resulted in noncompliance with grant requirements.

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

Management Response: Management will implement changes based on Auditors recommendations to maintain supporting documentation for Federal Programs.

Finding 2009-4-Interest Earned on Federal Funds (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: 1752, 1754

FEDERAL AWARD YEAR: 2009

CONTROL CATEGORY: Cash Management

QUESTIONED COSTS: \$-0-

Criteria: Circular A-133 § __.300 (b) states that the auditee shall:

Maintain internal controls over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the

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

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

Condition: Hughes County does not maintain a ledger for interest earned on the Disaster Grants-Public Assistance program. The interest earned on the fund was apportioned to other funds.

Cause: Hughes County has not implemented procedures regarding cash management of federal awards.

Effect: Hughes County may owe the federal agencies interest on advanced funds. This condition resulted in violation of federal cash management guidelines and could hinder the County from receiving future federal funding.

Recommendation: OSAI recommends that the County implement internal controls for the oversight of interest earned on Disaster Grants-Public Assistance program.

Management Response: Management was not aware of guidelines for Interest Earned on Federal Funds. In the future, funds will be put in a separate account so that interest can be accounted for.

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

Finding 2008-2 - Internal Controls Over Major Program

CFDA: 97.036

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

Funding Agency: United States Department of Homeland Security

Finding Summary: During the process of documenting the County's internal controls regarding federal disbursements, we noted that Hughes County has not established internal controls to ensure compliance with the following compliance requirements: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort, Earmarking; and Procurement and Suspension and Debarment

Status: Not Corrected

Finding 2008-3 - Supporting Documentation

CFDA: 97.036

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

Federal Agency: United States Department of Homeland Security

Finding Summary: The following exceptions were noted:

- Project worksheet #846
Transaction charged for the project lacked supporting documentation. A total of \$678.52 in expenditures was unsubstantiated.
- Project worksheet #105
Equipment rates used for the project did not agree to the allowable rates approved by FEMA. Incorrect equipment rates resulted in \$2,484.30 charged in excess to project.

Status: Not Corrected

Finding 2008-4 - Interest Earned on Federal Funds

CFDA: 97.036

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

Federal Agency: United States Department of Homeland Security

Finding Summary: Hughes County does not maintain a ledger for interest earned on the Disaster Grants-Public Assistance program. The interest earned on the fund was apportioned to other funds.

Status: Not Corrected

Finding 2008-5 - Procurement

CFDA: 97.036

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

Federal Agency: United States Department of Homeland Security

Finding Summary: The following exceptions were noted:

- Project worksheet #369-0
Materials charged for the project did not follow procurement procedures of the County.
Purchase order # 1277 for \$ 850.00 was not encumbered prior to the purchase of materials

Status: Not Corrected



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