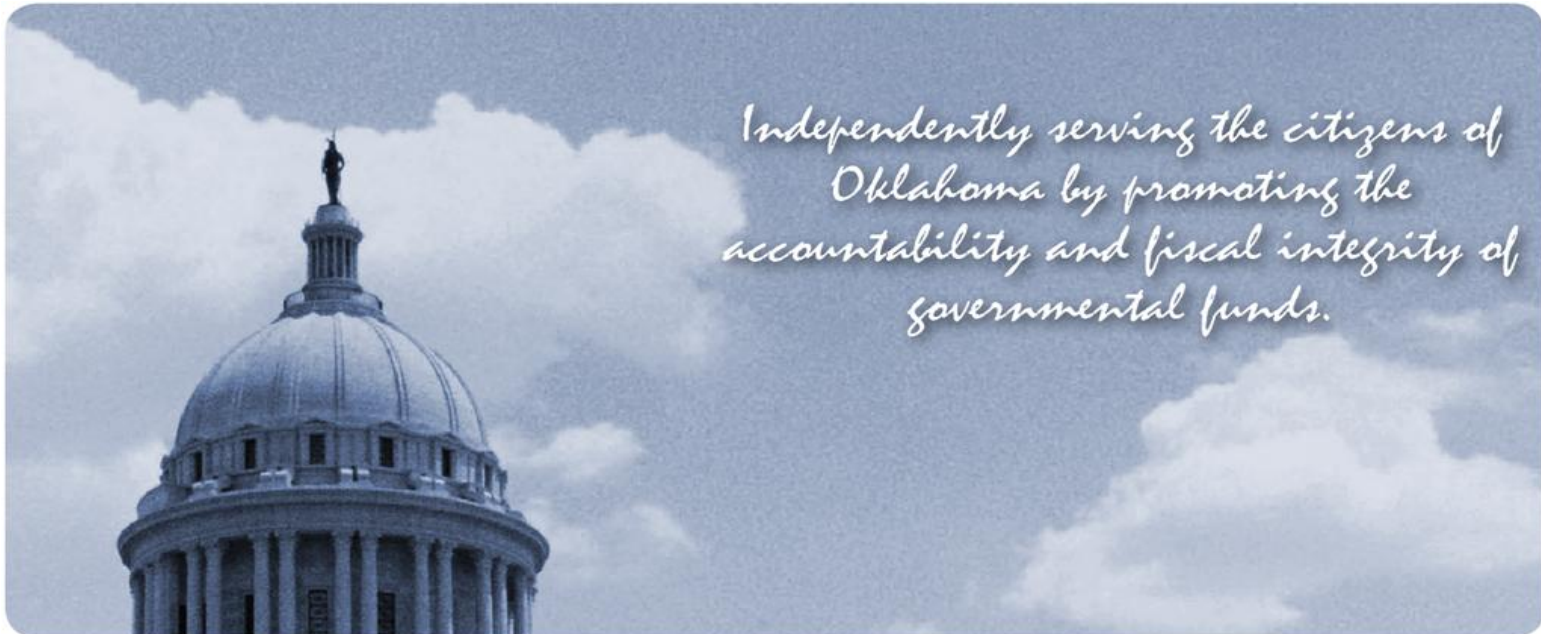


COUNTY AUDIT

# HUGHES COUNTY

For the fiscal year ended June 30, 2011



*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, 2011**

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



# Oklahoma State Auditor & Inspector

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

March 25, 2015

TO THE CITIZENS OF  
HUGHES COUNTY, OKLAHOMA

Transmitted herewith is the audit of Hughes County, Oklahoma for the fiscal year ended June 30, 2011. 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

**HUGHES COUNTY, OKLAHOMA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**HUGHES COUNTY, OKLAHOMA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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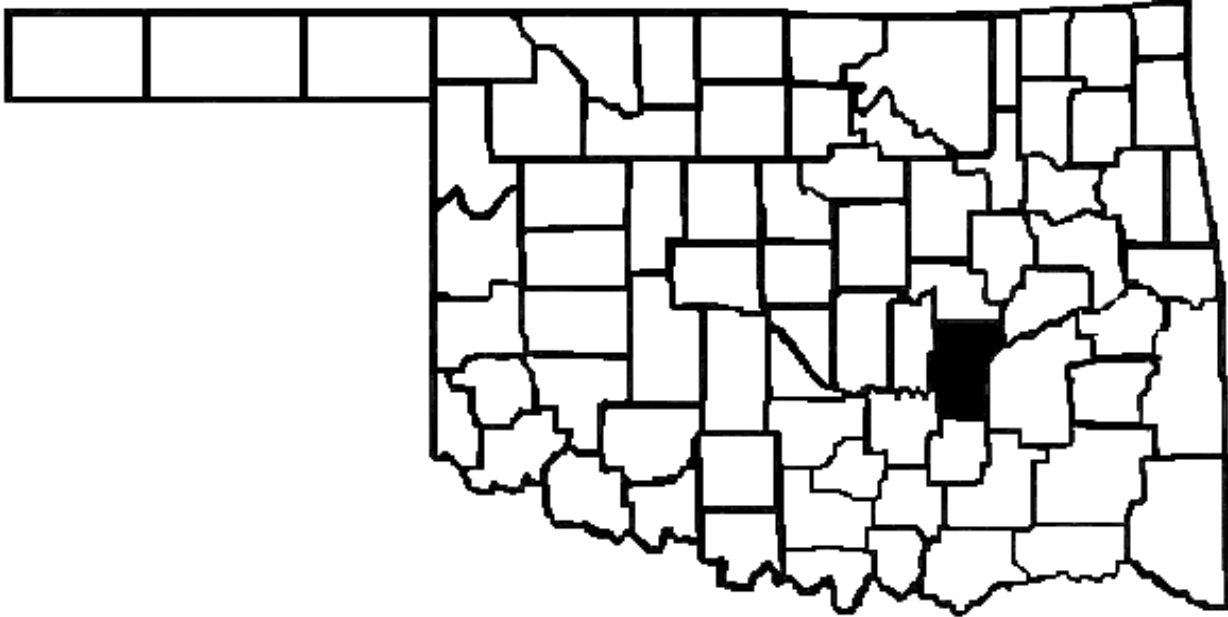
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PRESENTED FOR INFORMATIONAL PURPOSES ONLY**

**HUGHES COUNTY, OKLAHOMA  
STATISTICAL INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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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 – 13,819  
(2009 est.)

Farms – 1,026

Land in Farms – 441,040 Acres

Primary Source: Oklahoma Almanac 2011-2012

**HUGHES COUNTY OFFICIALS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

---

**Board of County Commissioners**

District 1 – Clyde Collis  
District 2 – Gary Gray  
District 3 – Jim Searcy

**County Assessor**

Jamie Foster

**County Clerk**

Joquita Walton

**County Sheriff**

Houston Yeager

**County Treasurer**

Dawn Lindsey

**Court Clerk**

Patty Tilley

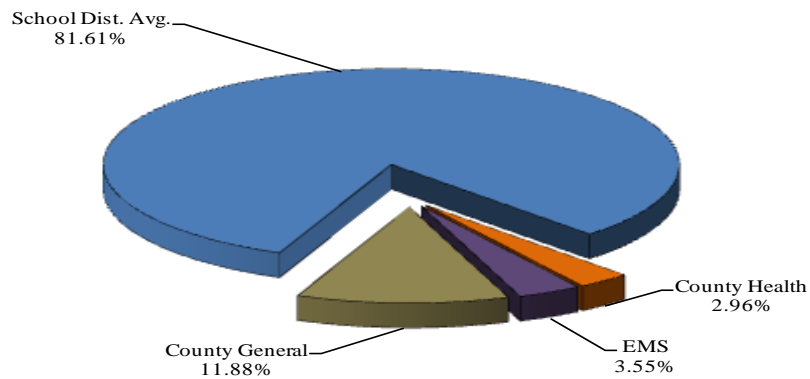
**District Attorney**

Chris Ross



**HUGHES COUNTY, OKLAHOMA  
AD VALOREM TAX DISTRIBUTION  
SHARE OF THE AVERAGE MILLAGE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

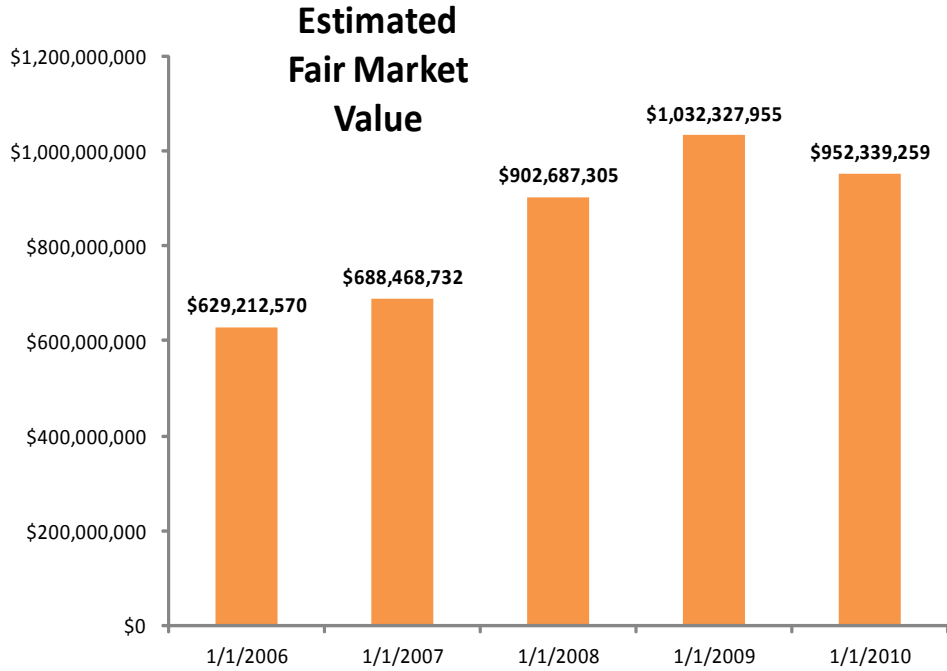
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the 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	14.58	5.23	-	4.15	65.37
EMS	3.11	Wetumka	I-5	36.41	5.20	22.59	5.23	-	4.15	73.58
		Dustin	I-9	36.80	5.26	6.74	5.23	-	4.15	58.18
		Holdenville	I-35	37.20	5.31	-	5.23	-	4.15	51.89
		Calvin	I-48	36.58	5.22	5.28	10.26	2.06	4.15	63.55
		Stuart	I-54	35.46	5.06	6.92	10.26	2.06	4.15	63.91
		Allen	J-1	35.98	5.14	10.78	10.29	2.00	4.15	68.34
		Wewoka	J-2	47.60	6.80	25.02	10.60	5.30	4.15	99.47
		Sasakwa	J-10	36.83	5.26	19.00	10.29	2.00	4.15	77.53
		Butner	J-15	37.09	5.30	15.41	10.60	5.30	4.15	77.85
		Weleetka	J-31	35.62	5.09	35.59	5.23	-	4.15	85.68

**HUGHES COUNTY, OKLAHOMA  
 ASSESSED VALUE OF PROPERTY  
 TREND ANALYSIS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

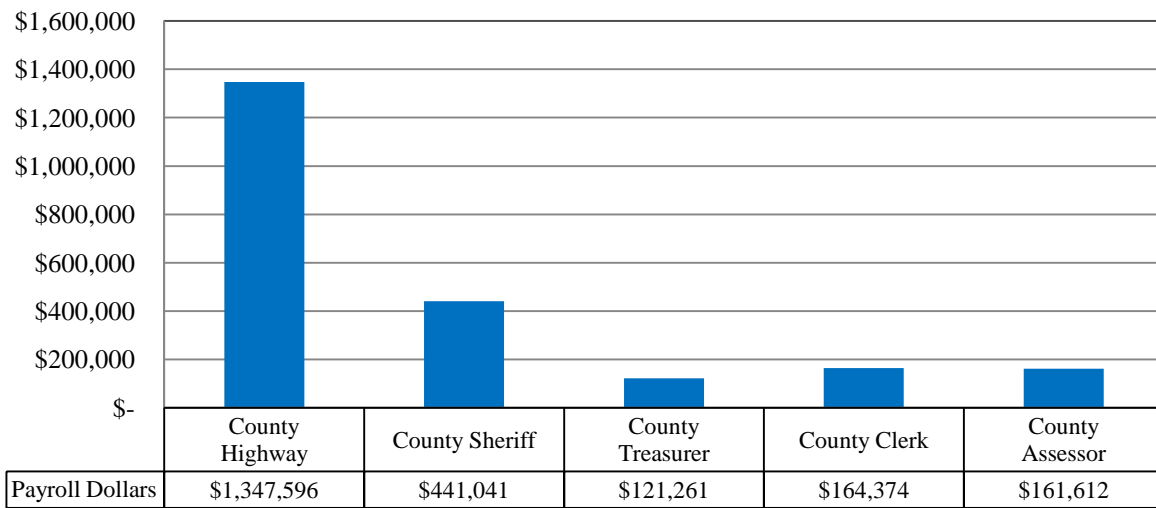
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2010	\$48,084,591	\$45,833,463	\$33,755,996	\$3,831,934	\$123,842,116	\$952,339,259
1/1/2009	\$52,890,224	\$34,283,662	\$43,524,020	\$3,795,840	\$126,902,066	\$1,032,327,955
1/1/2008	\$44,441,821	\$32,686,785	\$38,510,390	\$3,713,004	\$111,925,992	\$902,687,305
1/1/2007	\$22,200,188	\$32,884,355	\$37,089,195	\$3,665,827	\$88,507,911	\$688,468,732
1/1/2006	\$16,969,332	\$36,452,841	\$34,695,637	\$3,620,264	\$84,497,546	\$629,212,570



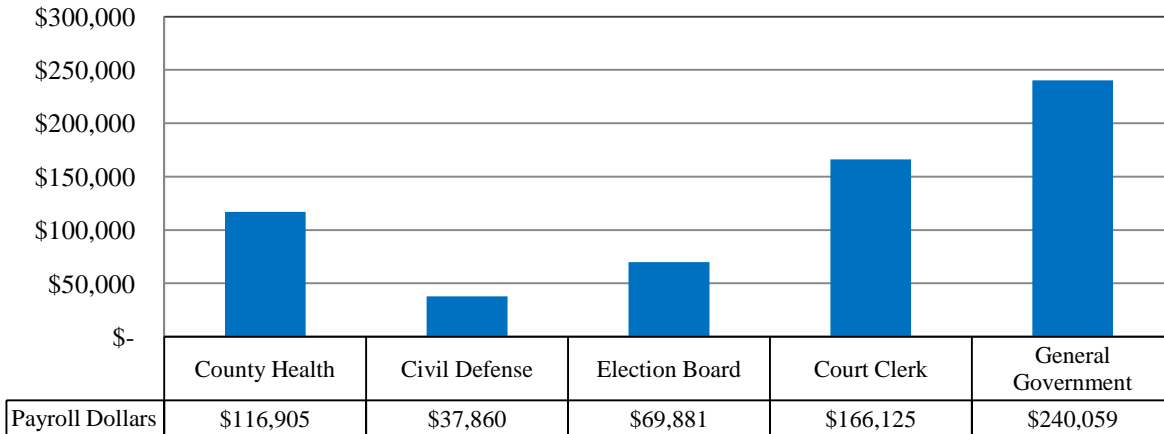
**HUGHES COUNTY, OKLAHOMA  
COUNTY PAYROLL EXPENDITURES ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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, 2011.

**Payroll Expenditures by Department**



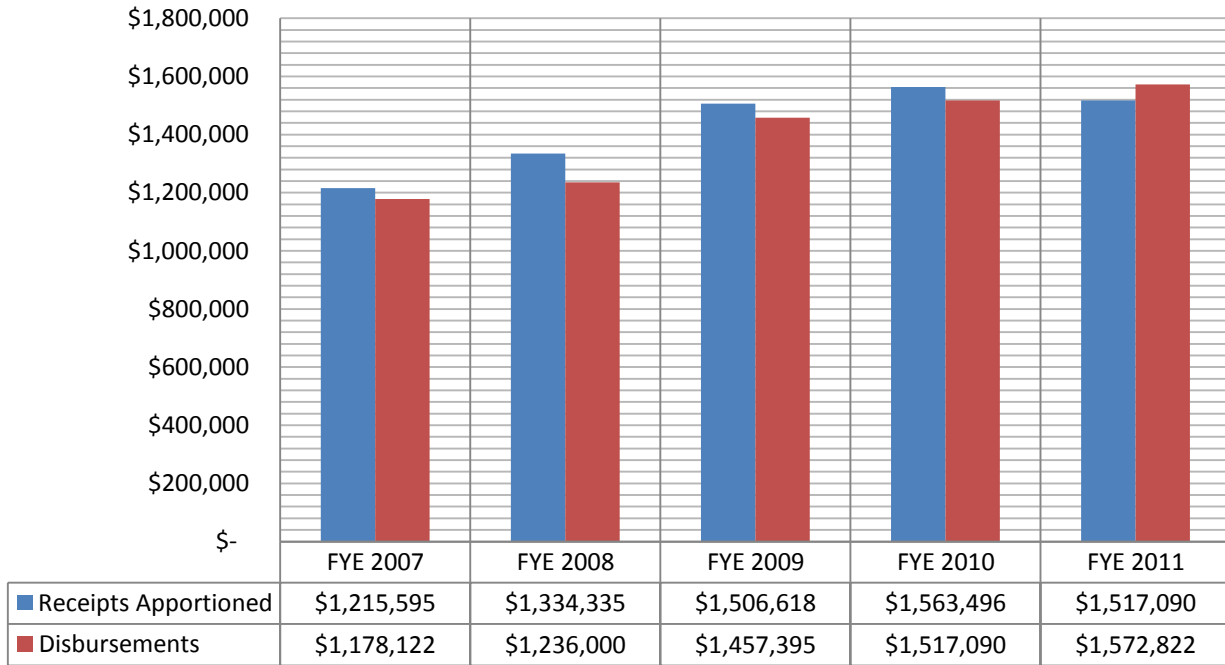
**Payroll Expenditures by Department**



**HUGHES COUNTY, OKLAHOMA  
COUNTY GENERAL FUND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

## 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.

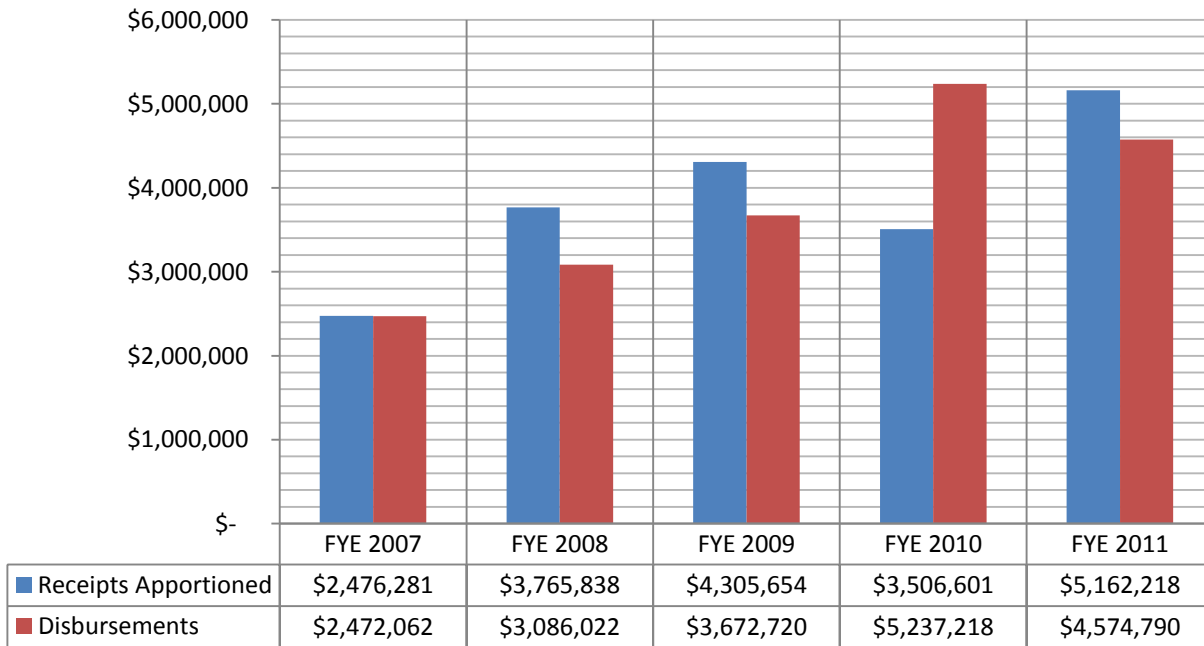


**HUGHES COUNTY, OKLAHOMA  
COUNTY HIGHWAY FUND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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## County Highway Fund

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



**FINANCIAL SECTION**



# Oklahoma State Auditor & Inspector

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

## Independent Auditor's Report

TO THE OFFICERS OF  
HUGHES 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 Hughes County, Oklahoma, as of and for the year ended June 30, 2011, listed in the table of contents as the financial statement. This financial statement is the responsibility of Hughes 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 Hughes County as of June 30, 2011, 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 Hughes County, for the year ended June 30, 2011, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2015, 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.

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

March 18, 2015



**REGULATORY BASIS FINANCIAL STATEMENT**

**HUGHES 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, 2011**

	Beginning Cash Balances July 1, 2010	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2011
Combing Information:						
Major Funds:						
County General Fund	\$ 488,072	\$ 1,517,090	\$ -	\$ -	\$ 1,572,822	\$ 432,340
T-Highway	1,659,861	5,162,218	75,000	-	4,574,790	2,322,289
County Health	351,205	325,476	-	-	227,004	449,677
Sheriff Special Fund	111,045	182,762	-	-	128,886	164,921
CDBG 06 12259	1,718	106,715	-	-	108,433	-
EMPG 10 Grant	2,500	11,250	-	-	383	13,367
CBRIF Highway Fund	-	829,296	139,373	75,000	139,373	754,296
Yeager FD REAP Grant	-	30,589	-	-	30,589	-
CDBG-CD-10-14129 Yeager	-	30,589	-	-	30,589	-
CDBG-10-14160 Spaulding	-	149,100	-	-	149,100	-
County FD Sales Tax	-	112,971	-	-	420	112,551
FEMA 1735 Hazard Mitigation	-	13,250	-	-	13,250	-
Remaining Aggregate Funds	649,672	235,261	15,311	-	194,007	706,237
<b>Combined Total - All County Funds</b>	<b>\$ 3,264,073</b>	<b>\$ 8,706,567</b>	<b>\$ 229,684</b>	<b>\$ 75,000</b>	<b>\$ 7,169,646</b>	<b>\$ 4,955,678</b>

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

**HUGHES COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

Hughes 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, school districts, and cities and towns. The cash receipts and disbursements attributable to those other entities do not appear in funds on the County's financial statement; those funds play no part in the County's operations. Any trust or agency funds maintained by the County are not included in this presentation.

**B. Fund Accounting**

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

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

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

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

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

Sheriff Special Fund – accounts for the collection of revenues for the housing of Department of Corrections' inmates and disbursements as restrict by statutes.

CDBG 06 12259 – accounts for Community Development Block Grant received and disbursed as restricted by the grant agreement.

**HUGHES COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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EMPG 10 Grant – accounts for Emergency Management Performance Grants received from the U.S. Department of Homeland Security and disbursed as restricted by the grant agreement.

CBRIF Highway Fund – accounts for the receipt of funds from the State of Oklahoma to be disbursed for road and bridge improvement projects.

Yeager FD REAP Grant – accounts for state grant funds and disbursement of funds as restricted by grant agreement.

CDBG-CD-10-14129 Yeager – accounts for Community Development Block Grant received and disbursed as restricted by the grant agreement.

CDBG-10-14160 Spaulding – accounts for Community Development Block Grant received and disbursed as restricted by the grant agreement.

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

FEMA 1735 Hazard Mitigation – accounts for federal grant funds received and the disbursement of funds as restricted by grant agreement.

**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 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 May 31 of each year, each officer or

**HUGHES COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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department head submits an estimate of needs (budget) to the governing body. The budget is approved for the respective fund by office, or department and object. Within weeks, the County Budget Board may approve changes of appropriations within the fund by office or department and object.

**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 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.

**HUGHES COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**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.

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

**D. Sales Tax**

A permanent sales tax was passed July 27, 2010. The sales tax of one-quarter percent (.25%) of one cent is to provide revenues to Hughes County to be appropriated by the Board of County Commissioners for the purpose of providing funding for the fire departments in the communities of Atwood, Calvin, Dustin, Gerty, Holdenville, Horntown, Lamar, Non, Spaulding, Stuart,

**HUGHES COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

---

Wetumka, and Stuart, or others hereinafter established. These funds are accounted for in the County FD Sales Tax fund.

**E. Interfund Transfers**

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

- \$15,311 was transferred from the Excess Resale fund (trust and agency fund) to the Resale Property fund in accordance with 68 O.S. § 3131C.
- \$75,000 was transferred from the CBRIF Highway Fund to the T-Highway fund to reimburse funds expended on bridge and road projects.
- \$139,373 into CBRIF Highway Fund from the ETRCB fund (trust and agency fund) to reimburse for expenditures on bridge and road projects.

**OTHER SUPPLEMENTARY INFORMATION**



**HUGHES 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, 2011**

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 488,072	\$ 488,072	\$ -
Less: Prior Year Outstanding Warrants	(36,074)	(36,074)	-
Less: Prior Year Encumbrances	(7,086)	(4,605)	2,481
Beginning Cash Balances, Budgetary Basis	<u>444,912</u>	<u>447,393</u>	<u>2,481</u>
Receipts:			
Ad Valorem Taxes	1,272,981	1,157,462	(115,519)
Charges for Services	93,459	79,827	(13,632)
Intergovernmental Revenues	104,157	110,459	6,302
Miscellaneous Revenues	89,042	169,342	80,300
Total Receipts, Budgetary Basis	<u>1,559,639</u>	<u>1,517,090</u>	<u>(42,549)</u>
Expenditures:			
District Attorney	4,200	3,305	895
County Sheriff	438,568	438,502	66
County Treasurer	103,939	101,537	2,402
OSU Extension	16,500	16,459	41
County Clerk	140,886	135,194	5,692
Court Clerk	95,407	95,244	163
County Assessor	98,500	95,863	2,637
Revaluation	108,400	84,983	23,417
Juvenile Shelter Bureau	5,000	2,895	2,105
General Government	583,210	408,185	175,025
Excise Board	3,726	3,234	492
County Election Board	74,768	74,762	6
Insurance - Benefits	84,452	84,452	-
Civil Defense	42,000	40,211	1,789
County Audit Budget	36,031	60	35,971
Free Fair	10,000	9,342	658
Other Deductions	155,964	-	155,964
Provision for Interest	3,000	-	3,000
Total Expenditures, Budgetary Basis	<u>2,004,551</u>	<u>1,594,228</u>	<u>410,323</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	370,255	<u>\$ 370,255</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		61	
Add: Current Year Outstanding Warrants		55,164	
Add: Current Year Encumbrances		6,860	
Ending Cash Balance		<u>\$ 432,340</u>	

**HUGHES 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, 2011**

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	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 351,205	\$ 351,205	\$ -
Less: Prior Year Outstanding Warrants	(38,631)	(38,631)	-
Less: Prior Year Encumbrances	(30,023)	(10,057)	19,966
Beginning Cash Balances, Budgetary Basis	282,551	302,517	19,966
Receipts:			
Ad Valorem Taxes	289,942	286,440	(3,502)
Charges for Services	-	6,473	6,473
Intergovernmental Revenues	-	22,204	22,204
Miscellaneous Revenues	6,584	10,359	3,775
Total Receipts, Budgetary Basis	296,526	325,476	28,950
Expenditures:			
Health and Welfare	579,077	216,368	362,709
Total Expenditures, Budgetary Basis	579,077	216,368	362,709
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	411,625	\$ 411,625
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		27,651	
Add: Current Year Outstanding Warrants		10,401	
Ending Cash Balance		\$ 449,677	

**HUGHES COUNTY, OKLAHOMA**  
**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND**  
**CHANGES IN CASH BALANCES—REGULATORY BASIS—**  
**REMAINING AGGREGATE FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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	Beginning Cash Balances July 1, 2010	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2011
Remaining Aggregate Funds:						
Resale Property	\$ 132,902	\$ 57,773	\$ 15,311	\$ -	\$ 30,141	\$ 175,845
M & M Lien Fee	199,081	23,767	-	-	49,697	173,151
Mortgage Certification Fee	18,964	2,290	-	-	2,671	18,583
Sheriff Fees	101,852	90,564	-	-	69,634	122,782
County Assessor Fund	2,557	1,977	-	-	1,450	3,084
Community Service Sentencing Program	2,631	-	-	-	-	2,631
County Clerk DPA	108,999	24,540	-	-	4,911	128,628
Free Fair	5,895	301	-	-	731	5,465
Family Resources Center Grant	268	-	-	-	-	268
Family Resources Cash Fund	640	-	-	-	-	640
Civil Defense Cash Fund	1,536	-	-	-	573	963
Emergency 911	71,387	34,049	-	-	34,199	71,237
Hughes County SRO	2,184	-	-	-	-	2,184
DARE Program	776	-	-	-	-	776
<b>Combined Total - Remaining Aggregate Funds</b>	<b>\$ 649,672</b>	<b>\$ 235,261</b>	<b>\$ 15,311</b>	<b>\$ -</b>	<b>\$ 194,007</b>	<b>\$ 706,237</b>

**HUGHES COUNTY, OKLAHOMA  
NOTES TO OTHER SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**1. Budgetary Schedules**

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

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

**2. Remaining County Funds**

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

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

M & M Lien Fee – accounts for revenues are from a fee charged by the County Clerk for filing liens. Disbursements are for any lawful expense of the County Clerk's office.

Mortgage Certificate Fee – accounts for the collection of fees by the Treasurer for mortgage tax certificates and the disbursement of funds as restricted by statutes.

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

County Assessor Fund – accounts for the collection of fees for copies restricted by statute.

Community Service Sentencing Program – accounts for funds received from the State Department of Corrections for administrative expenses and supervision of offenders.

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

Free Fair – accounts for the collection of rent for the Expo building and disbursements for maintenance of the Expo building.

**HUGHES COUNTY, OKLAHOMA  
NOTES TO OTHER SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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Family Resources Center Grant – accounts for federal funds to be used for the prevention of domestic violence.

Family Resources Cash Fund – accounts for donations to be used for the prevention of domestic violence.

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

Emergency 911 – accounts for the collection of fees charged on telephone bills for the County's Emergency 911 system. Disbursements are for expenditures related to providing 911 services.

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

DARE Program – accounts for the receipt and disbursement of grant funds to educate children on drug awareness.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**HUGHES COUNTY, OKLAHOMA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
Passed Through Oklahoma Department of Commerce:			
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	12295 CDBG 06	\$ 106,715
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	14129 CDBG 10	30,589
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	14160 CDBG 10	149,100
Total U.S. Department of Housing and Urban Development			<u>286,404</u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>			
Passed Through Oklahoma Department of Emergency Management:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR-1707	6,483
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR-1823	22,092
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR-1883	440,664
Total CFDA # 97.036			<u>469,239</u>
Hazard Mitigation Grant	97.039	FEMA-1735-DR-OK	13,250
Emergency Management Performance Grants	97.042		383
Total U.S. Department of Homeland Security			<u>482,872</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 769,276</u>

**HUGHES COUNTY, OKLAHOMA  
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of Hughes 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  
HUGHES COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Hughes County, Oklahoma, as of and for the year ended June 30, 2011, which comprises Hughes County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated March 18, 2015. 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, 2011, 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 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 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 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 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 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. 2011-1.

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 deficiency in internal control described in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting. 2011-8.

#### 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 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

March 20, 2015



# 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  
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 could have a direct and material effect on Hughes County's major federal program for the year ended June 30, 2011. 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 could have a direct and material effect on its major federal program for the year ended June 30, 2011.

### 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 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 2011-15 and 2011-16 to be material weaknesses.

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 the responses.

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

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

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

March 20, 2015

**HUGHES COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

Financial Statements

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

Internal control over financial reporting:

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

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

Federal Awards

Internal control over major programs:

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

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

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

Identification of Major Programs

CFDA Number(s)  
97.036

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

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

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

**HUGHES COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

**Finding 2011-1 – Inadequate County-Wide Controls**

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

**Cause of Condition:** Policies and procedures have not been designed and implemented 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 & Inspector’s office (OSAI) recommends that the County design procedures to identify and address risks. 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 Assessment:

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

Examples of activities and procedures to address Monitoring:

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

**HUGHES COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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<b>Monitoring</b>	<b>Procedures</b>
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:**

**District 1 County Commissioner:** In the near future I will have a meeting to discuss and implement procedures to address internal controls as required with my staff, as well as, meet with the other commissioners to devise a plan for the County as a whole.

**District 2 County Commissioner:** I will meet with my staff and the County Emergency Management Director to implement internal controls to correct the issue as required.

**District 3 County Commissioner:** I will meet with my staff and the County Emergency Management Director to devise a plan of action to implement controls to effectively comply with grant requirements. Then I will bring my suggestions to the Board.

**County Clerk:** We will strive to meet with elected officials and department heads to implement written procedures that ensure we comply with Risk Management and Monitoring at a county-wide level.

**County Treasurer:** Although some individual offices have policies and procedures in place for various task, I will make every effort to work with elected officials and department heads to develop written procedures to ensure we have consistent risk management and monitoring at a county-wide level.

**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 Risk Assessment and Monitoring for the achievement of these goals.

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

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



**HUGHES COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**Finding 2011-8 – Inadequate Internal Controls Over Signature Stamps - County Clerk and Commissioners**

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

- The BOCC secretary has physical control of District 1 and 3 Commissioners' signature stamps (stamps are retained in BOCC secretary's locked desk drawer).
- The County Clerk's signature stamp is kept in an unlocked desk drawer.

**Cause of Condition:** Procedures have not been designed to safeguard the County from unauthorized use of the officers' signature stamps.

**Recommendation:** OSAI recommends that signature stamps only be used by the official to which they belong and all signature stamps should be adequately safeguarded from unauthorized use.

**Management Response:**

**District 1 County Commissioner:** The secretary is only allowed to use stamp with a verbal or physical confirmation from myself only.

**District 3 County Commissioner:** The secretary is only allowed to use stamp with a verbal or physical confirmation from myself only.

**County Clerk:** The issue was corrected during the current audit. My signature stamp is now locked in the office vault.

**Auditor Response:** Signature stamps are to only be used by the individual to which they belong and should be safeguarded against 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.

**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 2011-15 – Inadequate County-Wide Controls Over Major Program – FEMA (Repeat Finding)**

**Pass-Through Grantor:** Oklahoma Department of Emergency Management

**Federal Agency:** U.S. Department of Homeland Security

**HUGHES COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**CFDA No:** 97.036

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

**Federal Award Number:** DR-1754, DR-1876, DR-1883

**Federal Award Year:** 2011

**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:** County-wide controls regarding Risk Assessment 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:** This condition could result in noncompliance to grant requirements.

**Recommendation:** OSAI recommends that the County implement a system of internal controls to ensure compliance with grant requirements.

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

<b>Risks</b>	<b>Procedures</b>
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 of activities and procedures to address monitoring of federal programs:

<b>Monitoring</b>	<b>Procedures</b>
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.

**HUGHES COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**Management Response:**

**District 1 County Commissioner:** In the near future I will have a meeting to discuss and implement procedures to address internal controls as required with my staff as well as meet with the other commissioners to devise a plan for the County as a whole.

**District 2 County Commissioner:** I will meet with my staff and also, the County Emergency Management Director to implement internal controls to correct the issue as required.

**District 3 County Commissioner:** I will meet with my staff and the County Emergency Management Director to devise a plan of action to implement controls to effectively comply with grant requirements. Then I will bring my suggestions to the Board.

**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.

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 2011-16 - Inadequate Internal Controls Over Major Federal Program – FEMA (Repeat Finding)**

**Pass-Through Grantor:** Oklahoma Department of Emergency Management

**Federal Agency:** U.S. Department of Homeland Security

**CFDA No:** 97.036

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

**Federal Award Number:** DR-1754, DR-1876, DR-1883

**HUGHES COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**Federal Award Year:** 2011

**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 the 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; 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 the County is in compliance with grant requirements.

**Effect of Condition:** This condition could result in noncompliance with grant requirements.

**Recommendation:** OSAI recommends that the County implement a system of internal controls to ensure compliance with grant requirements.

**Management Response:**

**District 1 County Commissioner:** In the near future I will have a meeting to discuss and implement procedures to address internal controls as required with my staff as well as meet with the other Commissioners to devise a plan for the County as a whole.

**District 2 County Commissioner:** I will meet with my staff and also, the County Emergency Management Director to implement internal controls to correct the issue as required.

**District 3 County Commissioner:** I will meet with my staff and the County Emergency Management Director to devise a plan of action to implement controls to effectively comply with grant requirements. Then I will bring my suggestions to the board.

**Criteria:** OMB A-133 § \_\_. 300 (b) states that the auditee shall:

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 material effect on each of its Federal programs.

In addition, OMB Circular A-87 C.1j. states:

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

**HUGHES COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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Further, FEMA Public Assistance Guide; Chapter 5, page 137 Project Management, Record Keeping states in part, “It is critical that the applicant establish and maintain accurate records of events and expenditures related to disaster recovery work...This information should include the completed PW; completed Special Considerations Questions form, estimated and actual costs; force account labor; force account equipment, materials, and purchases; photographs of damage, work underway, and work completed; insurance information; environmental and/or historic alternatives and hazard mitigation opportunities considered; environmental review documents; receipt and disbursement documents; and records of donated goods and services, if any.”

**HUGHES COUNTY, OKLAHOMA  
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**Finding 2009-2 – Internal Controls Over Major Program (Repeat Finding)**

**Pass-Through Grantor:** Oklahoma Department of Emergency Management

**Federal Agency:** U.S. Department of Homeland Security

**CFDA NO:** 97.036

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

**Federal Award Number:** DR-1707, DR-1712, DR-1752, DR-1754, DR-1823

**Federal Award Year:** 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-

**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 2009-3 – Supporting Documentation (Repeat Finding)**

**Pass-Through Grantor:** Oklahoma Department of Emergency Management

**Federal Agency:** U.S. Department of Homeland Security

**CFDA NO:** 97.036

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

**Federal Award Number:** DR-1752, DR-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

**Finding Summary:** 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.

**Status:** Not Corrected.

**Finding 2009-4 – Interest Earned on Federal Funds (Repeat finding)**

**Pass-Through Grantor:** Oklahoma Department of Emergency Management

**Federal Agency:** U.S. Department of Homeland Security

**CFDA No:** 97.036

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

**Federal Award Number:** DR-1752, DR-1754

**Federal Award Year:** 2009

**HUGHES COUNTY, OKLAHOMA  
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**Control Category:** Cash Management

**Questioned Costs:** \$-0-

**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 2008-2 – Internal Controls Over Major Program**

**Pass-Through Grantor:** Oklahoma Department of Emergency Management

**Federal Agency:** U.S. Department of Homeland Security

**CFDA No:** 97.036

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

**Federal Award Number:** DR-1678, DR-1707, DR-1712, DR-1752, DR-1754

**Federal Award Year:** 2008

**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-

**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**

**Pass-Through Grantor:** Oklahoma Department of Emergency Management

**Federal Agency:** U.S. Department of Homeland Security

**CFDA No:** 97.036

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

**Federal Award Number:** DR-1712, DR-1752

**Federal Award Year:** 2008

**Control Category:** Allowable Costs/Cost Principles

**Questioned Costs:** \$3,162.82

**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.

**HUGHES COUNTY, OKLAHOMA  
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**Finding 2008-4 – Interest Earned on Federal Funds**

**Pass-Through Grantor:** Oklahoma Department of Emergency Management

**Federal Agency:** U.S. Department of Homeland Security

**CFDA No:** 97.036

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

**Federal Award Number:** DR-1678, DR-1707, DR-1712, DR-1752, DR-1754

**Federal Award Year:** 2008

**Control Category:** Cash Management

**Questioned Costs:** \$-0-

**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**

**Pass-Through Grantor:** Oklahoma Department of Emergency Management

**Federal Agency:** U.S. Department of Homeland Security

**CFDA No:** 97.036

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

**Federal Award Number:** DR-1678, DR-1707, DR-1712, DR-1752, DR-1754

**Federal Award Year:** 2008

**Control Category:** Procurement and Suspension and Debarment

**Questioned Costs:** \$850.00

**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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