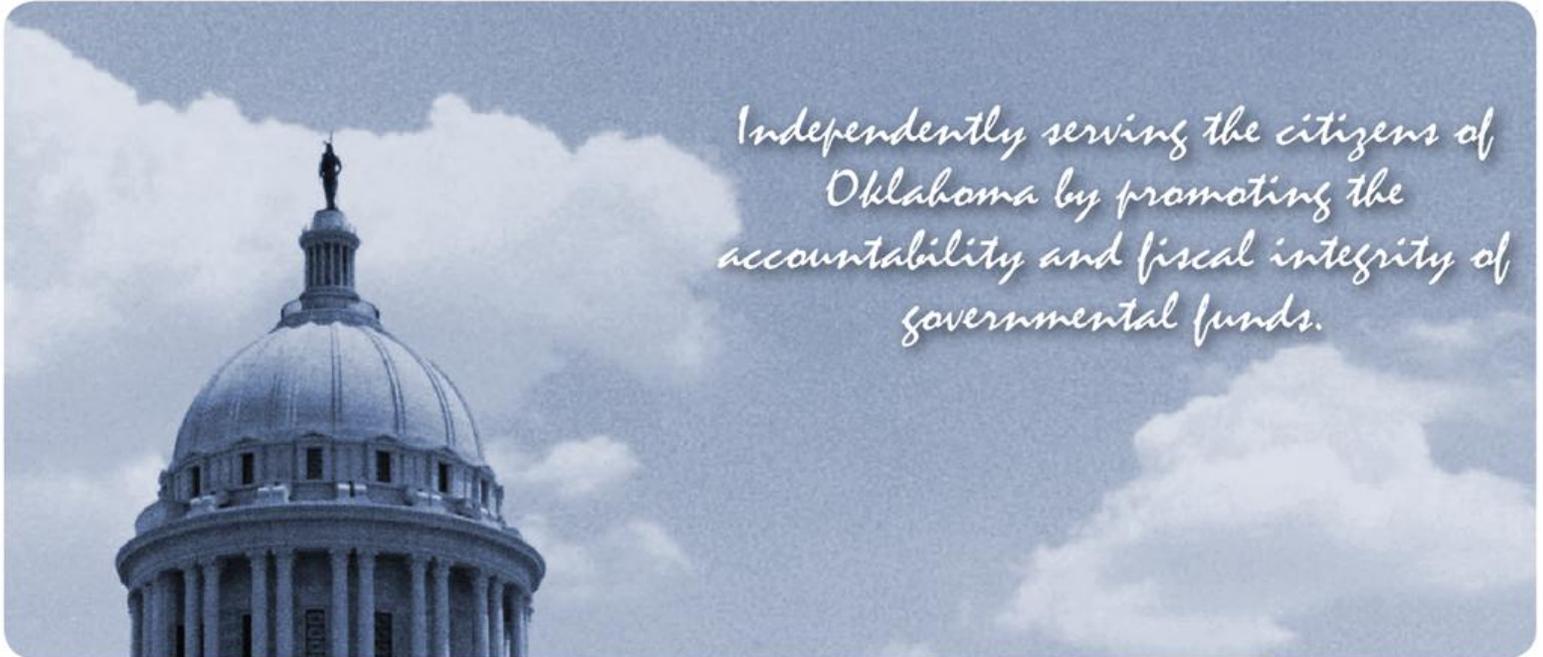


COUNTY AUDIT

# KAY COUNTY

For the fiscal year ended June 30, 2010



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



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

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

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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

October 8, 2014

TO THE CITIZENS OF  
KAY COUNTY, OKLAHOMA

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

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

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

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

Sincerely,

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

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

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

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ITEMS OF INTEREST

**Finding 2010-8 – Inadequate Internal Controls Over Purchasing and Noncompliance with State Statute:** Supporting documentation for one expenditure reflected altered dates for the requisition, assignment, and encumbrance dates. Additionally, OSAI noted two instances of obligating county funds prior to encumbering the purchases, two instances of invoices accepted that did not reflect dates, and one instance where the expenditure did not have supporting documentation. **(Pg. 28)**

**Finding 2010-9 – Material Contracts (BIA) (Repeat Finding):** Federal BIA expenditures in the amount of \$1,264,126.70 for a bridge project were not bid by the County. **(Pg. 30)**

**Finding 2010-10 – Inadequate Internal Controls and Noncompliance with State Statute Regarding Bidding Procedures (Repeat Finding):** Documentation was not retained by the County to reflect that a vehicle purchased in the amount of \$21,311.00 was properly bid. **(Pg. 31)**

**Finding 2010-11 – Inadequate Internal Controls and Noncompliance with State Statutes Regarding Acceptance of Bids:** Bids received by the Board of County Commissioners for commonly-used goods and services were tabled for one week, and then all submitted bids were accepted as opposed to “lowest and best” as required per statute. Additionally, piece-meal bids of commonly-used goods and services were used to award entire projects without a project bidding process. Such a practice allowed vendors to provide goods and services for which it had not bid and/or to subcontract with non-bidders or other bidders that were not the lowest bidders. **(Pg. 32)**

**Finding 2010-3 – Schedule of Expenditures of Federal Awards (Repeat Finding):** The County did not accurately report federal expenditures. The Schedule of Expenditures of Federal Awards submitted for the audit was understated in the amount of \$852,557. **(Pg. 37)**

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

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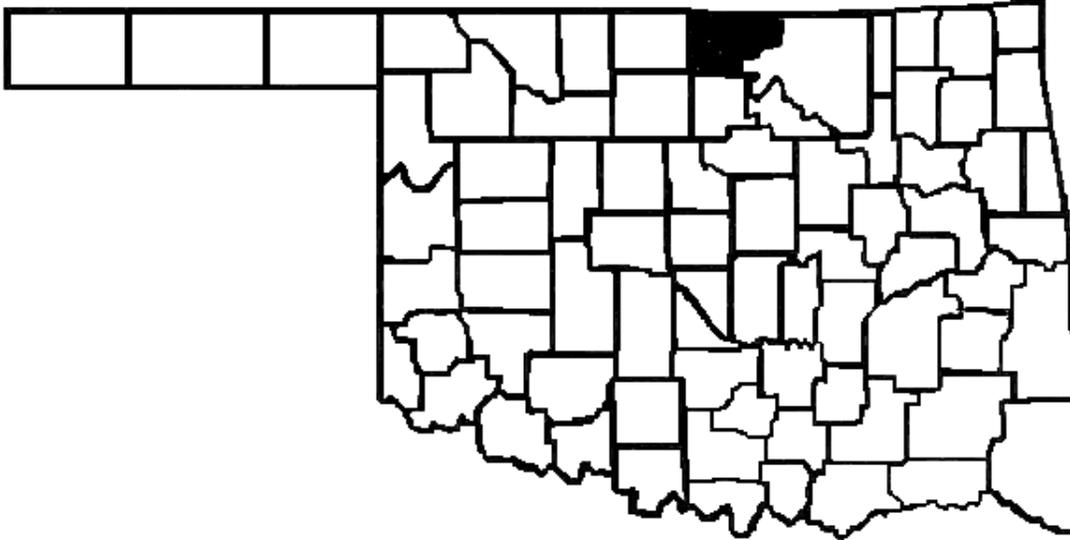
ITEMS OF INTEREST - Continued

**Finding 2010-17 – Internal Controls and Noncompliance Over Major Programs – BIA:** Federal BIA grant expenditures in the amount of \$1,264,799 were not adequately documented. OSAI could not determine that the work was completed as invoiced by the vendor. This amount has been reported as questioned costs. Additionally, OSAI noted two instances of incurring debt on behalf of the County prior to ensuring funds were available to pay the expenditures. The two instances were in the amounts of \$5,256,389.16 and \$10,857.22. Also, \$601,335.38 of American Recovery Reinvestment Act expenditures were not supported by a vendor contract containing the required Buy-America clause. (Pg. 41)

**INTRODUCTORY SECTION**  
**UNAUDITED INFORMATION ON PAGES iv - x**  
**PRESENTED FOR INFORMATIONAL PURPOSES ONLY**

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

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Located in north central Oklahoma bordering Kansas, Kay County was formed from the “Cherokee Strip” or “Cherokee Outlet”. Originally designated as county “K,” its name means simply that.

Newkirk, the county seat, is home of the Kay County Courthouse, originally built in 1894 and replaced with the current stone courthouse in 1926. The economy of the county is based on petroleum wealth as well as productive agricultural land. Blackwell, the second largest city, is located in the midst of the rich Chikaskia River farmland.

Kaw Dam and Reservoir, part of the \$1.2 billion plan for the Arkansas River in Oklahoma and Arkansas, is located in Kay County. Other attractions include the 101 Ranch site, Pioneer Woman Statue and Museum, the Chilocco Indian School, Ponca City Cultural Center and Indian Museum, and the Marland Mansion, all in Ponca City. Annual events include the Iris Festival in April and the 101 Ranch Rodeo in August.

Kay County was once home to Territorial Governor William M. Jenkins and infamous outlaw Belle Starr. Three history books have been written about the county. They are: *Diamond Jubilee*, *The Last Run*, and *Keepsakes and Yesteryears*. Historical societies are located in Newkirk and Tonkawa. For more information, call the county clerk at (580) 362-2537.

County Seat – Newkirk

Area – 945.12 Square Miles

County Population – 45,638  
(2007 est.)

Farms – 1,050

Land in Farms – 492,178 Acres

Primary Source: Oklahoma Almanac 2009-2010

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

---

**Board of County Commissioners**

District 1 – Dee Schieber  
District 2 – Steve Austin  
District 3 – Laile Wilson

**County Assessor**

Carol Purdy

**County Clerk**

Tammy Reese

**County Sheriff**

Everette VanHoesen

**County Treasurer**

Christy Kennedy

**Court Clerk**

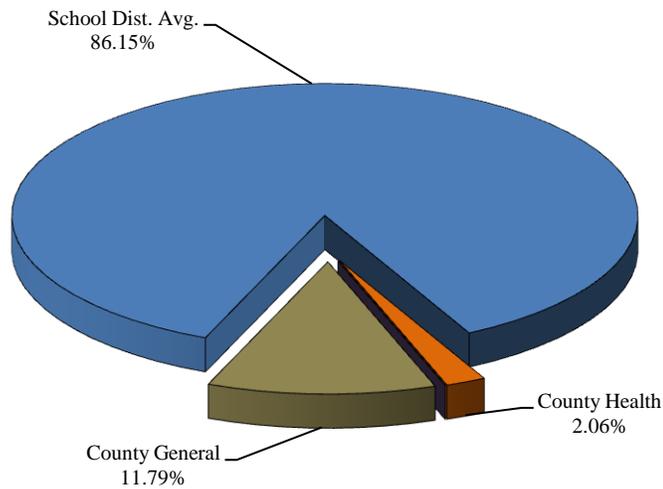
Mary Ramey

**District Attorney**

Mark Gibson

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

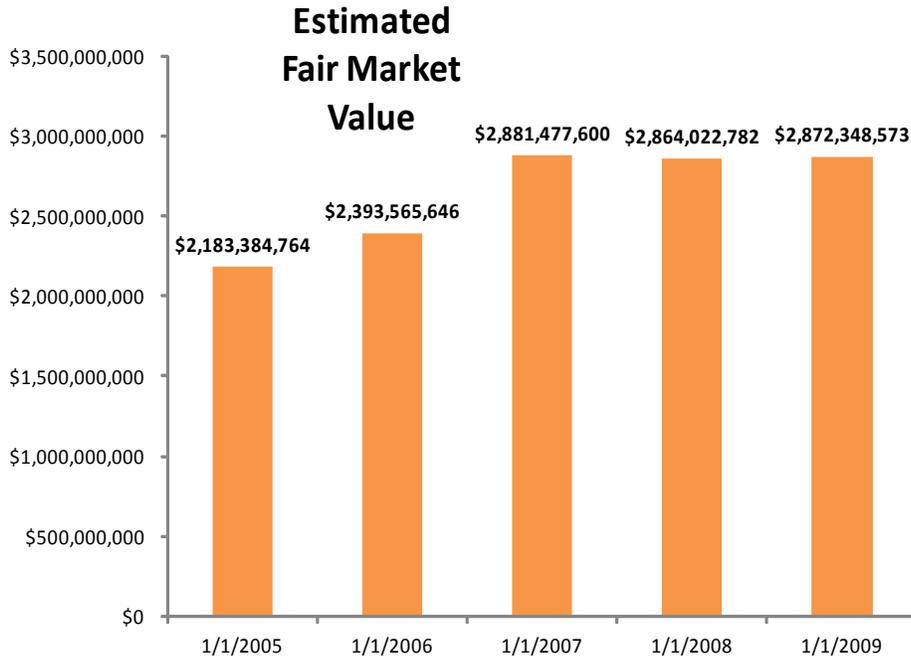
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the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



County-Wide Millages		School District Millages							
				Gen.	Bldg.	Skg.	Career Tech	Common	Total
County General	10.25								
County Health	1.79								
		Braman	I-18	36.04	5.15	10.12	15.23	4.10	70.64
		Peckham	D-27	35.95	5.14	12.96	15.23	4.10	73.38
		Newkirk	I-29	36.36	5.19	28.14	15.23	4.10	89.02
		Blackwell	I-45	36.10	5.16	35.59	15.23	4.10	96.18
		Kildare	D-50	36.48	5.21	9.70	15.23	4.10	70.72
		Ponca City	I-71	35.76	5.11	21.02	15.23	4.10	81.22
		Kaw City/Shidler	J-11K	36.32	5.19	6.99	15.23	4.10	67.83
		Tonkawa	I-87	36.11	5.16	24.12	15.23	4.10	84.72
		Noble-Joint	I-2	35.50	5.07	7.36	15.23	4.10	67.26
		Noble-Joint	I-4	36.22	5.17	3.90	15.23	4.10	64.62
		Osage-Joint	J-11	37.67	5.38	6.99	15.23	4.10	69.37
		Grant-Joint	J-95	35.67	5.10	4.15	15.23	4.10	64.25

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

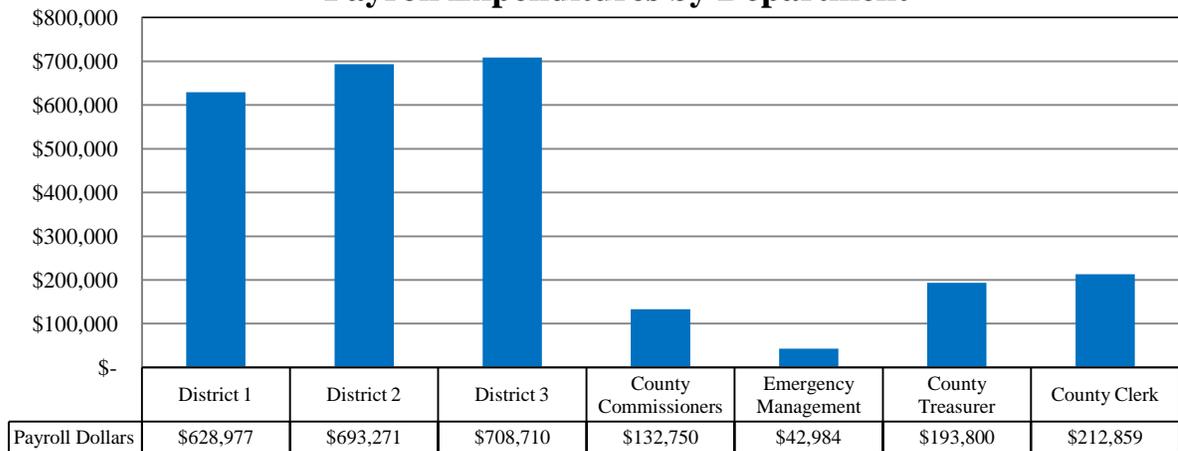
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2009	\$126,207,014	\$27,094,656	\$173,864,541	\$11,207,868	\$315,958,343	\$2,872,348,573
1/1/2008	\$128,032,128	\$27,145,528	\$171,150,020	\$11,285,170	\$315,042,506	\$2,864,022,782
1/1/2007	\$131,955,222	\$27,959,083	\$168,559,016	\$11,510,785	\$316,962,536	\$2,881,477,600
1/1/2006	\$97,301,059	\$34,625,152	\$159,777,880	\$11,099,294	\$280,604,797	\$2,393,565,646
1/1/2005	\$75,574,159	\$34,052,874	\$158,895,771	\$11,324,043	\$257,198,761	\$2,183,384,764



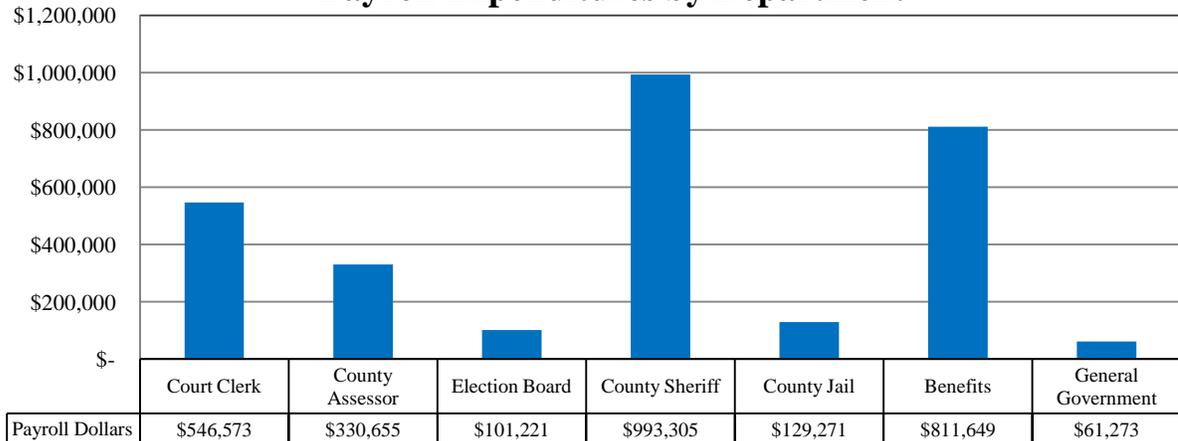
**KAY COUNTY, OKLAHOMA  
COUNTY PAYROLL EXPENDITURES ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

**Payroll Expenditures by Department**



**Payroll Expenditures by Department**



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

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## 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.

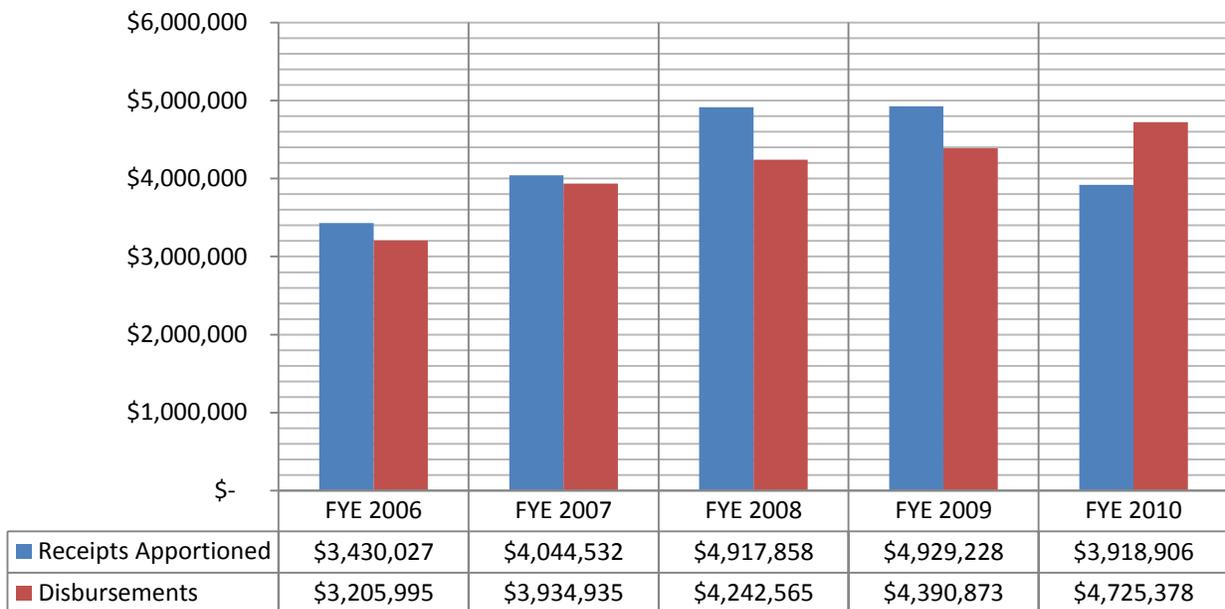


**KAY COUNTY, OKLAHOMA  
COUNTY HIGHWAY FUND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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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  
KAY 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 Kay County, Oklahoma, as of and for the year ended June 30, 2010, listed in the table of contents as the financial statement. This financial statement is the responsibility of Kay 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 Kay County as of June 30, 2010, or changes in its financial position for the year then ended.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2014, on our consideration of Kay 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

October 7, 2014

**REGULATORY BASIS FINANCIAL STATEMENT**

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

---

	Beginning Cash Balances July 1, 2009	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2010
Combining Information:						
Major Funds:						
County General Fund	\$ 1,143,745	\$ 4,689,329	\$ -	\$ -	\$ 4,700,677	\$ 1,132,397
Highway Cash	2,130,846	3,918,906	47,322	-	4,725,378	1,371,696
BIA - Road Projects	34,030	3,618,223	-	47,322	3,573,569	31,362
County Health Department	574,036	611,035	-	-	414,633	770,438
County Sales Tax	18,303	142,248	-	-	119,510	41,041
JFA Gross Revenue Account	266,134	3,204,860	-	-	3,197,609	273,385
Remaining Aggregate Funds	639,206	1,065,546	-	-	798,837	905,915
<b>Combined Total - All County Funds, As Restated</b>	<b>\$ 4,806,300</b>	<b>\$ 17,250,147</b>	<b>\$ 47,322</b>	<b>47,322</b>	<b>\$ 17,530,213</b>	<b>\$ 4,526,234</b>

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

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

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**1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

Kay 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 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. Disbursements are for the general operations of the County.

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

BIA – Road Projects – accounts for funding received by Indian nations from the Bureau of Indian Affairs and disbursed to the County as a vendor for special road projects.

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

County Sales Tax – accounts for the collection from the Kay County Justice Facilities Authority and the disbursements are for the operations of the County Jail.

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

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JFA Gross Revenue Account – accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax resolution.

**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 the first Monday in July of each year, each officer or department head submits an estimate of needs to the governing body. The budget is approved for the respective fund by office, or department and object. The County Board of Commissioners may approve changes of appropriations within the fund by office or department and object. To increase or decrease the budget by fund requires approval by the County Excise Board.

**E. Cash and Investments**

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

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

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

---

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.

**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.

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

---

**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**

The voters of Kay County approved a two-thirds (.6665) of one (1) cent sales tax. This sales tax was established to provide revenue for acquisition, construction, and equipping a new Kay County Detention Facility. A portion of the sales tax, one-third (.33325) of one (1) cent, shall have a limited duration of twenty (20) years from the date of commencement, or until principal and interest upon indebtedness incurred on behalf of Kay County by the Kay County Justice Facilities Authority is paid in full.

**E. Residual Equity Transfers**

During the fiscal year, the County made the following transfer between cash funds.

- Per Board of County Commissioners' resolution, \$47,322 was transferred from the BIA – Fountain Road Projects fund to the Highway Cash fund to close out the Fountain Road Project fund.

**F. Restatement Prior Year Ending Balance**

Due to the reclassification of funds for fiscal year ending June 30, 2009, the ending balance as reported is different than the July 1, 2009 beginning balance. The difference is due to two funds reported as trust and agency that should have been county funds, two funds reported as County funds that should have been reported as trust and agency funds and the ending balance being understated by \$3, resulting in an increase of \$259,227.

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

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**F. Restatement Prior Year Ending Balance (Continued)**

Prior Year Ending Balance, as Reported	\$ 4,547,073
Plus:	
Understatement	3
Funds Moved to County Funds:	
JFA Gross Revenue Account	266,134
Open Dumping Reward	1,806
Less:	
Funds Moved to Trust and Agency:	
Payroll Tax (EFTPS)	(8,401)
Official Petty Cash	<u>(315)</u>
Prior Year Ending Balance, as Restated	<u>\$ 4,806,300</u>

**G. Special Item**

**Investigative Audit**

The State Auditor and Inspector's Office is currently conducting a special investigative audit of the alleged improper bidding practices of the County.

**OTHER SUPPLEMENTARY INFORMATION**

**KAY COUNTY, OKLAHOMA**  
**COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND**  
**CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—**  
**GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 1,143,745	\$ 1,143,745	\$ -
Less: Prior Year Outstanding Warrants	(151,511)	(151,511)	-
Less: Prior Year Encumbrances	(65,432)	(65,432)	-
Plus: Lapsed Balance		4,200	4,200
Plus: Estopped Warrants		347	347
Beginning Cash Balances, Budgetary Basis	<u>926,802</u>	<u>931,349</u>	<u>4,547</u>
Receipts:			
Ad Valorem Taxes	2,998,679	2,936,460	(62,219)
Sales Tax	-	84,864	
Charges for Services	145,093	612,253	467,160
Intergovernmental Revenues	347,868	735,645	387,777
Miscellaneous Revenues	839,980	320,107	(519,873)
Total Receipts, Budgetary Basis	<u>4,331,620</u>	<u>4,689,329</u>	<u>357,709</u>
Expenditures:			
District Attorney	43,000	42,882	118
County Sheriff	1,127,032	1,126,268	764
County Treasurer	135,400	117,500	17,900
County Commissioner	167,486	154,671	12,815
County Commissioners O.S.U. Extension	113,760	105,105	8,655
County Clerk	170,010	169,541	469
Court Clerk	246,900	246,061	839
County Assessor	147,788	145,078	2,710
Revaluation of Real Property	221,707	204,336	17,371
District Court	59,977	59,977	-
General Government	513,234	473,345	39,889
Excise - Equalization Board	5,300	4,083	1,217
County Election Board	114,914	112,268	2,646
Insurance Benefits	1,668,241	1,253,823	414,418
County Purchasing Agent	25,053	25,031	22
Data Processing	38,092	37,709	383
Charity	2,500	1,975	525
Unappropriated Court	305,312	305,312	-
Resale Payroll	82,714	82,714	-
County Audit Budget Account	53,002	7,200	45,802
Free Fair Budget Account	12,000	11,986	14
Provision for Interest on Warrants	5,000	2,942	2,058
Total Expenditures, Budgetary Basis	<u>5,258,422</u>	<u>4,689,807</u>	<u>568,615</u>

**KAY COUNTY, OKLAHOMA  
 COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND  
 CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—  
 GENERAL FUND - CONTINUED  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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	General Fund		
	Budget	Actual	Variance
Continued from previous page			
Excess of Receipts and Beginning Cash			
Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	930,871	<u>\$ 930,871</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		162,266	
Add: Current Year Encumbrances		<u>39,260</u>	
Ending Cash Balance		<u>\$ 1,132,397</u>	

**KAY COUNTY, OKLAHOMA  
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND  
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—  
COUNTY HEALTH DEPARTMENT FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 574,036	\$ 574,036	\$ -
Less: Prior Year Outstanding Warrants	(23,541)	(23,541)	-
Less: Prior Year Encumbrances	(66,549)	(66,549)	-
Plus: Lapsed Balance		21,325	21,325
Beginning Cash Balances, Budgetary Basis	483,946	505,271	21,325
Receipts:			
Ad Valorem Taxes	514,150	512,704	(1,446)
Miscellaneous Revenues	18,039	98,331	80,292
Total Receipts, Budgetary Basis	532,189	611,035	78,846
Expenditures:			
Health and Welfare	1,016,135	438,062	578,073
Total Expenditures, Budgetary Basis	1,016,135	438,062	578,073
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	678,244	\$ 678,244
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		55,932	
Add: Current Year Outstanding Warrants		36,262	
Ending Cash Balance		\$ 770,438	

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

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	Beginning Cash Balances July 1, 2009	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2010
Remaining Aggregate Funds:				
Resale Property	\$ 236,257	\$ 214,354	\$ 107,512	\$ 343,099
Sheriff Commissary	3,846	14,631	12,547	5,930
County Clerk Lien Fee	26,891	15,256	17,948	24,199
County Clerk Preservation Fee	38,603	53,015	18,292	73,326
County Treasurer Mortgage Certification Fee	36,381	6,960	7,462	35,879
Sheriff Training	365	-	-	365
Local Emergency Planning Committee Grant	3,723	5,767	2,118	7,372
Emergency Management Agency	6,096	60,459	47,405	19,150
Juvenile Accountability Incentive Block Grant	3,015	-	-	3,015
County Cash Improvement	4,956	6,284	6,168	5,072
Community Service Sentencing Program	5,080	151	3,000	2,231
Visual Inspection Reimbursement Investment	87,943	13,027	12,140	88,830
Sheriff Jail Cash Fund	103,116	428,197	387,440	143,873
Sheriff Service Fee	81,128	217,435	147,579	150,984
Sheriff JAG Grant	-	29,226	29,226	-
Open Dumping Reward	1,806	784	-	2,590
<b>Combined Total - Remaining Aggregate Funds</b>	<b>\$ 639,206</b>	<b>\$ 1,065,546</b>	<b>\$ 798,837</b>	<b>\$ 905,915</b>

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

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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.

Sheriff Commissary – accounts for profits on commissary sales in the County jail and disbursements for the fund are restricted by statute.

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

County Clerk Preservation Fee – accounts for fees charged by the County Clerk for recording instruments and disbursements are for the maintenance and preservation of public records.

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

Sheriff Training – accounts for collections from the sale of property forfeited in drug cases and disbursements are for the officer training, equipment, and crime prevention.

Local Emergency Planning Committee Grant – accounts for grant monies received for the Local Emergency Planning Committee at Ponca City and disbursements are for emergency planning.

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

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Emergency Management Agency – accounts for the receipt and disbursement of funds from state and local governments for civil defense purposes.

Juvenile Accountability Incentive Block Grant – accounts for the receipt and disbursement of funds from the U.S. Department of Justice to promote and strengthen greater accountability in the Juvenile Justice System.

County Cash Improvement – accounts for use tax collections and disbursements are used to maintain the courthouse (pest control, heat and air, etc.).

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

Visual Inspection Reimbursement Investment – Investment of visual inspection reimbursement funds.

Sheriff Jail Cash Fund – accounts for the monies received from the State of Oklahoma for the boarding and feeding of DOC prisoners.

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

Sheriff JAG Grant – accounts for the receipt and disbursement of funds from state and local governments for the purpose of equipment for the County Sheriff's office.

Open Dumping Reward – accounts for the monies collected from fines imposed for littering and disbursed to citizens involved in the reporting of littering offenses.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

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

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
<b>U.S. DEPARTMENT OF DEFENSE</b>			
<b>Department of the Army-Office of the Chief of Engineers</b>			
Passed Through State of Oklahoma Treasury:			
Flood Control Projects	12.106		\$ 11,469
Total U.S. Department of Defense			<u>11,469</u>
<b>U.S. DEPARTMENT OF INTERIOR</b>			
Direct Grant:			
Payments in Lieu of Taxes	15.226		93,082
Total U.S. Department of Interior			<u>93,082</u>
<b>U.S. DEPARTMENT OF JUSTICE</b>			
Passed Through the City of Ponca City:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2009-SB-B9-2839	29,226
Total U.S. Department of Justice			<u>29,226</u>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>			
<b>Federal Highway Administration</b>			
Passed Through the Bureau of Indian Affairs:			
ARRA - Highway Planning and Construction	20.205	AGB0009026	803,991
Highway Planning and Construction	20.205	AGB0009027	449,951
Highway Planning and Construction	20.205	AGB00100019	10,857
Total CFDA # 20.205			<u>1,264,799</u>
<b>Nation Highway Traffic Safety Administration</b>			
Passed Through the Oklahoma Highway Safety Office:			
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	K8-09-03-04-01	4,313
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	K8-10-03-02-02	7,939
Total CFDA # 20.601			<u>12,252</u>
Safety Belt Performance Grants	20.609	K4PT-10-03-07-00	9,750
<b>Pipeline and Hazardous Materials Safety Administration</b>			
Passed Through the Oklahoma Department of Emergency Management:			
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703		1,830
Total U.S. Department of Transportation			<u>1,288,631</u>

Continued on next page

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

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
Continued from previous page			
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>			
Passed Through the Oklahoma Department of Emergency Management:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	PA-1803	117,464
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	PA-1876	94,819
Total CFDA # 97.036			<u>212,283</u>
Emergency Management Performance Grants	97.042	EMPG 10	20,159
Total U.S. Department of Homeland Security			<u>232,442</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$ 1,654,850</u></u>

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

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Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of Kay 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  
KAY COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Kay County, Oklahoma, as of and for the year ended June 30, 2010, which comprises Kay County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated October 7, 2014. Our report on the basic financial statement was adverse because the statement is not a presentation in conformity with accounting principles generally accepted in the United States of America. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County for the year ended June 30, 2010, on the basis of accounting prescribed by Oklahoma state law, described in Note 1. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Kay 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 Kay County's internal control over financial reporting.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in internal control described in the accompanying schedule of findings and questioned costs to be material weaknesses in internal control over financial reporting. 2010-1, 2010-2, 2010-4, 2010-5, and 2010-9.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting, 2010-8, 2010-10, 2010-11, 2010-12, 2010-13, and 2010-14.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Kay County's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2010-8, 2010-9, and 2010-10.

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

Kay 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 Kay 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

October 7, 2014



# Oklahoma State Auditor & Inspector

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

## **Independent 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  
KAY COUNTY, OKLAHOMA

### Compliance

We have audited the compliance of Kay 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 Kay County's major federal program for the year ended June 30, 2010. Kay 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 Kay County's management. Our responsibility is to express an opinion on Kay 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 Kay 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 Kay County's compliance with those requirements.

As described in item 2010-17, in the accompanying schedule of findings and questioned costs, Kay County did not comply with the requirements regarding Allowable Costs/Cost Principles, Davis-Bacon Act, and Reporting that are applicable to its Highway Planning and Construction grant. Compliance with such requirements is necessary, in our opinion, for Kay County to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the 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, 2010. The results of our auditing procedures also disclosed other instance of noncompliance with those requirements, which are 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 item 2010-3.

### Internal Control Over Compliance

Management of Kay 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 Kay 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 Kay County's internal control over compliance.

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2010-3, 2010-16, and 2010-17 to be material weaknesses.

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

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



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

October 7, 2014

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

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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?..... 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: ..... Qualified

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>
20.205	Highway Planning and Construction

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

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

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

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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 2010-1 – Disaster Recovery Plans, Operation Manuals, Backups and Computer Systems Security (Repeat Finding)**

**Condition:** Upon inquiry and observation, we noted the following:

- The Disaster Recovery Plans for the County Clerk and the County Treasurer were outdated and had not been tested.
- The Disaster Recovery Plan for the County Assessor’s office has not been tested.
- The Board of County Commissioners does not have written Disaster Recovery Plan.
- There is inadequate security over the computers and systems in the County Treasurer, County Clerk, County Sheriff and County Assessor’s offices:
  - Back-ups are not tested regularly in the County Assessor and County Sheriff’s offices.
  - Back-ups for the County Sheriff are maintained on-site.
  - The County Treasurer does not use the user logs as a monitoring device.
  - The County Sheriff does not have procedure/operating manuals for their offices.
  - In the County Clerk and County Assessor’s offices, the computer system does not log users off for inactivity and users do not always log off when they leave their computers unattended.
- The County Treasurer, County Clerk, and County Assessor do not have a plan that forecasts and budgets for the future computer needs of the County.

**Cause of Condition:** Procedures have not been designed to develop and implement a Disaster Recovery Plan. Additionally, policies and procedures to ensure security of information systems and operations of county offices have not been developed and implemented.

**Effect of Condition:** The failure to have a formal and effective Disaster Recovery Plan and operating manuals could result in the County being unable to function in the event of a disaster or unforeseen officer absence. By not ensuring the security and accuracy of data maintained in the information systems, the risks for exposing computers to unauthorized access, misuse of county assets, and loss of data increases.

**Recommendation:** The Oklahoma State Auditor & Inspector’s Office (OSAI) recommends the County develop and test a current Disaster Recovery Plan, which is stored off-site to ensure the safekeeping and integrity of the County’s data.

**Management Response:**

**BOCC Chairman:** Although I was not in office in fiscal year 2010, we appreciate and value your suggestions regarding our 2010 audit findings. I have spoken with the Kay County officers regarding such findings that will need to be corrected and will rely on their corrective action plans.

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

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**County Assessor:** We will have a meeting once a year and go over the Disaster Recovery Plan. The back-ups are checked every night and we are notified every morning by email by if the back-up was successful or not. We buy computers as needed.

**County Clerk:** The County Clerk's Disaster Recovery Plan was updated by adding new employees. All employees have a copy of the plan and were asked to take the plan home with them. Copies of the plan were also given to the following: County Commissioners, County Sheriff, County Treasurer, Newkirk Police Department, Newkirk Fire Department, and Kay County Emergency Management Director. The office is aware of procedures to follow in case of a disaster.

The clerk always keeps plenty of money in Preservation and County Clerk Lien Fee Accounts for future computer needs and other unexpected emergencies. The clerk keeps a list of when computers were purchased in order to keep track of when an upgrade may be necessary.

**County Sheriff:** Copies of the computer back-ups are taken home by the Sheriff, Undersheriff, and Captain. Additionally, a copy is maintained at dispatch and the County Clerk's office will be given a copy and the County Sheriff's Department will start testing computer back-ups on a regular basis.

**County Treasurer:** I will implement checking the user logs monthly. On my plan to fill future computer needs, I have always staggered my computer purchases so that all computers do not need to be at the same time and are only replaced when needed.

**Auditor Response:** At the time of our discussion with the Sheriff, storage of computer system back-ups, (other than the financial computer system) were not maintained off-site.

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

- Current names, addresses, contact numbers of key county personnel and their roles and responsibilities of information services function.
- Listing of contracted service providers.
- Information on location of key resources, including back-up site for recovery operating system, application, data files, operating manuals and program/system/user documentation.
- Alternative work locations once IT resources are available.

Also, according to the standards of the Information Systems Audit and Control Association (CobiT, Delivery and Support) DS11.6 Security Requirements for Data Management, management should define and implement policies and procedures to identify and apply security requirements applicable to the receipt, processing, storage and output of data to meet business objectives, the organization's security policy and regulatory requirements.

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

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**Finding 2010-2 – Inadequate County-Wide Controls**

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

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

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

**Recommendation:** OSAI recommends that the County design procedures to identify and address risks. OSAI also recommends that the County design monitoring procedures to assess the quality of performance over time. These procedures should be written policies and procedures and could be included in the County's policies and procedures handbook.

**Management Response:**

**BOCC Chairman:** Although I was not in office in fiscal year 2010, we appreciate and value your suggestions regarding our 2010 audit findings. I have spoken with the Kay County officers regarding such findings that will need to be corrected and will rely on their corrective action plans.

**County Assessor:** Our daily backups are tested daily and stored off-site. We are going to go over our Disaster Recovery Plan annually. We will try to implement the recommendations presented by the Auditor's office.

**County Clerk:** The County Clerk's office works diligently on segregation of duties and cross training for this office with limited employees. Every effort is made to ensure the County Clerk's information system back-ups are accurate and maintained off-site. The County Clerk and employees attends county training classes, County Clerk Schools and other workshops relating to this office.

The County Clerk's Disaster Recovery Plan was updated by adding new employees and has been given to all County Clerk employees and those elected officials and emergency response departments in which it would be useful.

In August of 2012, the County Clerk wrote a Standard Operating Procedures of Internal Controls Handbook for Kay County. The handbook was given to the following departments: Commissioner Districts 1, 2 and 3, County Sheriff, County Treasurer, and Emergency Management Director. The handbook consists of State and Federal guidelines to follow regarding federal monies received and expended. The handbook describes Background, Purpose, and Applicability, Matrix of Compliance Requirements, Compliance Requirements, Agency Program Requirements, and Internal Controls.

The County works together with the County budget maker to ensure the estimate of needs is accurate and complete; however, review procedures will be put in place.

Audit findings are taken very seriously and measures will be made to correct noted findings.

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**County Sheriff:** The County Sheriff's Department uses the vendor software program (for expenditures), which is backed up daily and the back-ups are kept off-site. We now have a written Disaster Recovery Plan and intend on testing it. We will be maintaining records of our federal awards in a manner they can be checked for accuracy. The County Sheriff's Department tries to correct all findings presented to us by OSAI.

**County Treasurer:** Every effort is made to ensure the County Treasurer's information system back-ups are accurate and maintained off-site. Our segregation of duties ensures low risk of fraud. I will update the phone numbers of the Disaster Recovery Plan and distribute new copies to employees. I feel we attend the proper training and workshops. I will work to further the communication between officers with monthly officer's meetings. I do the financial statement for the County and it is accurate and complete. I am very dedicated to answering all complaints and concerns the citizens have with the County Treasurer's office or the County. I have open communication with all employees to help them understand what is expected of them. I always correct the auditors' findings.

**County Commissioner District 1:** County Commissioner chose not to respond.

**Prior County Commissioner District 2:** I always attend workshops and conferences that are put on by ACCO and CODA. We have the forms now for the SEFA report and we will work to implement these changes as soon as we can. We always strive to follow the law and want to do things the correct way, but it would be helpful to know these things more than every three years.

**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.

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**Finding 2010-4 – Inadequate Segregation of Duties Over Purchasing**

**Condition:** Upon inquiry and observation of the County’s purchasing process, it was noted that the Purchasing Agent enters all vendors into the purchase order system, prepares purchase orders, encumbers purchase orders, reviews the purchase order for accuracy, prepares and prints warrants, delivers warrants to the Treasurer to be registered and receives register warrants, maintains ledgers, and distributes warrants.

**Cause of Condition:** Policies and procedures have not been designed with regard to segregation of duties and/or compensating controls of the purchasing process.

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

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

Further, the duties of encumbering and posting to the ledgers should be segregated from the printing and distribution of payments.

**Management Response:**

**BOCC Chairman:** Although I was not in office in fiscal year 2010, we appreciate and value your suggestions regarding our 2010 audit findings. I have spoken with the Kay County officers regarding such findings that will need to be corrected and will rely on their corrective action plans.

**County Clerk:** Two employees are involved with the purchasing responsibilities and purchase orders are reviewed for accuracy. For continued segregation of duties one clerk will enter vendors into system and the other will generate purchase orders, one will prepare warrants and one will reconcile to purchase orders and distribute warrants.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designed to analyze and check accuracy, completeness, and authorization of disbursements and/or transactions. To help ensure a proper accounting of funds, the duties of processing, authorizing, and distribution should be segregated.

**Finding 2010-5 – Inadequate Segregation of Duties Over Payroll**

**Condition:** Upon inquiry and observation of the County’s payroll process, it was noted that the Payroll Clerk enrolls new hires, makes payroll changes, runs verification reports, prints payroll checks, takes

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payroll checks to the Treasurer to be registered and receives registered checks, performs report reconciliations, and removes terminated employees from system.

**Cause of Condition:** Policies and procedures have not been designed with regards to segregation of duties and/or compensating controls of the payroll process.

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

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

**Management Response:**

**BOCC Chairman:** Although I was not in office in fiscal year 2010, we appreciate and value your suggestions regarding our 2010 audit findings. I have spoken with the Kay County officers regarding such findings that will need to be corrected and will rely on their corrective action plans.

**County Clerk:** Two employees are involved with payroll responsibilities. The payroll/accounts payable clerk switches duties every three months, however, daily the two employees work together on these two functions of the office. To further improve these functions one employee will review the time records and the other will prepare the payroll and one will issue and the other will distribute payroll warrants to individuals.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designed to analyze and check accuracy, completeness, and authorization of payroll calculations and/or transactions. To help ensure a proper accounting of funds, the duties of processing, authorizing, and payroll distribution should be segregated.

**Finding 2010-8 – Inadequate Internal Controls Over Purchasing and Noncompliance with State Statute**

**Condition:** While testing thirty-three purchase orders, we noted the following:

**Not Timely Encumbered:**

- Two instances where the invoice date and/or service date were prior to the encumbrance date for purchase orders (PO #890 – County Clerk Lien Fee/Travel and PO #3862 – General-County Extension/Contractual Services).
- Two instances where the invoice was not dated and therefore could not determine if encumbrance date for the purchase order was prior to the invoice date and/or service date (PO #2327 –

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Highway District #1 – BIA Pecan Road and PO #3910 – Highway District #1 – BIA Blue Star Road).

**No Proper Documentation:**

- One instance where the purchase order did not have supporting documentation (PO #2765 – Highway District 1- BIA Waverly/Hubbard).
- One instance where the requisition, assignment, and encumbrance date on the purchase order were altered (PO #788 – Highway District 1 – Highway Maintenance).
- Two instances where there was not a receiving report attached to attest to the receiving of goods or services (PO #2327 – Highway District 1 – BIA Pecan Road and PO #2195 – Highway District 1 – BIA Blue Star Road).

**Cause of Condition:** The County is not following established purchasing procedures.

**Effect of Condition:** These conditions resulted in noncompliance with state statute, inaccurate records, and incomplete information, and could result in a misappropriation of assets.

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

**Management Response:**

**BOCC Chairman:** Although I was not in office in fiscal year 2010, we appreciate and value your suggestions regarding our 2010 audit findings. I have spoken with the Kay County officers regarding such findings that will need to be corrected and will rely on their corrective action plans.

**County Commissioner District 1:** The auditor’s office is requiring us to close all purchase orders at the end of each fiscal year; therefore, the purchase order was dated after the invoice date. Additionally, we no longer accept invoices without dates. Engineering services are different and invoices come unexpected when services are rendered.

**County Clerk:** County purchasing procedures are in place; our office will thoroughly monitor purchase orders to be in compliance. Normally, errors on purchase orders are “red stamped” with an explanation.

**Auditor Response:** State statutes require funds to be encumbered prior to the ordering/purchasing of all goods and/or services. Purchase orders that have outstanding encumbrances may remain open until the invoices have been received and paid.

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

Further, good internal controls would include all supporting documentation related to disbursements be attached to the purchase order prior to approval for payment.

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**Finding 2010-9 – Material Contracts (BIA) (Repeat Finding)**

**PASS-THROUGH GRANTOR:** Bureau of Indian Affairs

**FEDERAL AGENCY:** U.S. Department of Transportation

**CFDA NO:** 20.205

**FEDERAL PROGRAM NAME:** Highway Planning and Construction

**FEDERAL AWARD NUMBER:** RAC00310003, AGB00090026, RAC00310001, AGB00090027, and AGB00100019

**FEDERAL AWARD YEAR:** 2010

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

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

**Condition:** The test of twenty-seven disbursements pertaining to BIA projects reflected the following exceptions:

1. Expenditures in the amount of \$1,264,126.70 for BIA – Bridge #137 – Contract #AGB00050006 on PO #2195 – Highway District 1 were not bid.
2. Bid #2010-6 – Heavy Equipment and bid #2010-11 – Concrete Pour and Finish; Highway District 2 did not have verification of bid advertisement.

**Cause of Condition:** The County is not following established bidding procedures and has not designed and implemented procedures to ensure compliance with all contract requirements.

**Effect of Condition:** These conditions resulted in noncompliance with state statutes and could result in undetected errors and in some instances misappropriation of assets.

**Recommendation:** OSAI recommends management follow established bidding procedures and develop and implement procedures to ensure compliance with all contract requirements. OSAI also recommends all bid documentation be retained in the Clerk's office and bid packet references or state contract numbers be noted on the purchase orders.

**Management Response:**

**BOCC Chairman:** Although I was not in office in fiscal year 2010, we appreciate and value your suggestions regarding our 2010 audit findings. I have spoken with the Kay County officers regarding such findings that will need to be corrected and will rely on their corrective action plans.

**County Commissioner District 1:** It was bid by CED #8 and we have bid packets.

**Prior County Commissioner District 2:** Concrete pour and finish is a classification on our six-month bid. I was not aware we needed a verification of bid advertisement for this but will in the future.

**County Clerk:** The County Clerk's office does follow state statutes established for bidding procedures and normally has bid advertisements in bid packet for verification.

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**Auditor Response:** Documentation was not presented to the County Clerk to indicate that the CED #8 had bid the construction of Bridge #137. During the course of the audit, OSAI inquired about the bid information several times. Further, the CED has no statutory authority to solicit and accept bids on behalf of the County for this grant program.

**Criteria:** The contracts made by and between the Bureau of Indian Affairs (BIA) and the Commissioners of Kay County require that the County shall advertise for construction bids, issue bid proposals, receive and tabulate the bids and award a contract for construction of the project in accordance with existing procedures and applicable laws.

Title 19 O.S. § 1505.B prescribes the established bidding procedures for selecting a vendor for the purchase, lease-purchase, or rental of supplies, materials, equipment and information technology and telecommunication goods and services used by a county for the bidding of goods and/or services.

Title 19 O.S. § 1505B.2 states impart that “Notice of solicitation of bids shall also be published one time in a newspaper of general circulation in the county...”

**Finding 2010-10 – Inadequate Internal Controls and Noncompliance with State Statute Regarding Bidding Procedures (Repeat Finding)**

**Condition:** The test of five items with a cost of \$10,000.00 or more reflected one item that had not been bid.

- A vehicle purchased with purchase order #1636 – Sheriff Service Fee – Capital Outlay in the amount of \$21,311.00.

**Cause of Condition:** Procedures have not been designed and implemented to ensure compliance with statutes with regard to the bidding process.

**Effect of Condition:** These conditions resulted in noncompliance with state statute and could result in undetected errors and in some instances misappropriation of assets.

**Recommendation:** OSAI recommends that policies and procedures be implemented to ensure that all statutorily required bidding procedures are followed.

**Management Response:**

**BOCC Chairman:** Although I was not in office in fiscal year 2010, we appreciate and value your suggestions regarding our 2010 audit findings. I have spoken with the Kay County officers regarding such findings that will need to be corrected and will rely on their corrective action plans.

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**County Clerk:** The County Clerk's office has policies and procedures implemented regarding statutorily required bidding procedures. Normally, purchase orders indicate purchase was made on a state contract and Bid No. is referenced.

**County Sheriff:** Sheriff vehicles are purchased off of state bids and we did not go out for bid on the vehicle. However, there was no notation on the purchase order that it was a state bid purchase.

**Auditor Response:** The documentation retained at the County for the purchase of the Sheriff vehicle had no indication that the purchase was from a state contract.

**Criteria:** Title 19 O.S. § 1505.B prescribes the established bidding procedures for selecting a vendor for the purchase, lease-purchase, or rental of supplies, materials, equipment and information technology and telecommunication goods and services used by a county for the bidding of goods and/or services.

**Finding 2010-11 – Inadequate Internal Controls and Noncompliance with State Statutes Regarding Acceptance of Bids**

**Condition:** The Board of County Commissioners (BOCC) solicits bids for commonly-used goods and services, but its process of accepting bids does not appear to comply with 19 O.S. § 1505(B) regarding the purchase of commonly-used items and 19 O.S. § 1501(A)(3)(j) regarding the purchase of "processed native materials for road and bridge improvements."

After bids for commonly-used goods and services are solicited and opened, the Kay County BOCC tables the matter for one week and then accepts all bids submitted, as noted below, without regard as to whether or not it is a processed native material.

- Asphalt
- Concrete
- Pouring/Finishing Concrete
- Road Rock
- Bridge Materials
- Lumber
- Culvert Pipe
- Grader Blades
- Janitorial Supplies
- Office Supplies
- Heavy-equipment Rental
- Road-striping
- Routine Electrical Work

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With the exception of road rock, none of the solicitations are for “processed native materials for road [or] bridge improvements,” including solicitations for bridge materials which are comprised mostly of non-native materials.

Additionally, no documentation was maintained to indicate any vendor was contacted at the time of work to determine both its ability and availability to provide goods or services.

The District #1 and District #3 commissioners appear to regularly requisition money for road projects that exceed \$10,000, using piece-meal bids obtained for commonly-used goods and services as the basis for awarding an entire project despite the selected vendor not bidding the full project and not qualifying as the lowest bidder. In addition to not always using the lowest bidders, they often allowed a vendor to provide goods and services for which it had not bid and/or to subcontract with non-bidders or other bidders that were not the lowest bidders.

**Cause of Condition:** The County did not comply with 19 O.S. § 1505(B), which requires that counties award bids to the lowest and best bidders. Further, the County did not comply with 19 O.S. § 1501(A)(3)(j), which allows counties to accept all bids only for processed native materials for road and bridge improvements.

**Effect of Condition:** These conditions resulted in noncompliance with state statutes regarding the awarding of bids. As a result, the County often did not obtain the best prices for road projects or for materials purchased from the commonly-used goods bid lists. In effect, this practice resulted in a vendor being awarded a project for which no bid had been submitted.

**Recommendation:** OSAI recommends the County discontinue its practice of accepting all bids for services or for commonly-used goods that are not processed native materials for road or bridge improvements and award the contract to the lowest and best bidder. County officials should clearly document the reason for not awarding a bid to the lowest bidder.

**Management Response:**

**BOCC Chairman:** Although I was not in office in fiscal year 2010, we appreciate and value your suggestions regarding our 2010 audit findings. I have spoken with the Kay County officers regarding such findings that will need to be corrected and will rely on their corrective action plans.

**County Commissioner District 1:** County Commissioner chose not to respond.

**Current County Commissioner District 2:** I was not in office at these times; however, we as a commissioner board will look over all bids and only accept the lowest and best bids.

**Criteria:** Best business practices would include soliciting bids from vendors with the goal of obtaining quality goods and/or services for the best price.

When counties purchase “needed or commonly [-] used supplies, materials, [or] equipment,” 19 O.S. § 1505(B) requires the counties to solicit bids, compare them to the state contract price for the items, and

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select “the lowest and best bid based upon, if applicable, the availability of material and transportation cost to the job site within 30 days,” specifying the reason “any time the lowest bid was not considered to be the lowest and best bid.”

When counties purchase “processed native materials for road and bridge improvements,” 19 O.S. § 1501(A)(3)(j) requires the counties to solicit bids but allows them to “ \*\*\* accept all bids received, with the lowest and best bid from those accepted to be selected \*\*\* based upon availability, bid price, plus transportation costs \*\*\* at the time of opening of any construction project.” OSAI would note the distinction between the terms “accept” and “award.” A decision to accept a bid is based upon it meeting certain bid specifications and, thus, is determined to be a qualified bid. The statutory guidance to award a bid is to identify the lone bidder who best meets the “lowest and best bid” criteria to the exclusion of all other bidders.

Further, 19 O.S. § 1505(B)(5) outlines the procedures to follow when the low bidder cannot fulfill a county bid contract. The statute states, “If a vendor who is the low bidder cannot or will not sell goods or services as required by a county bid contract, the county purchasing agent may purchase from the next low bidder or take quotations as provided in paragraph 6 of this subsection, *provided, however, such purchase does not exceed Ten Thousand Dollars (\$10,000.00).*”

**Finding 2010-12 – Inadequate Internal Controls Over Time Records (Repeat Finding)**

**Condition:** While reviewing payroll time records, we noted the following:

- Time records for District 1 are not signed by both the employee and the official.
- The Sheriff does not maintain time records for full-time employees and does not sign all pay claims.

**Cause of Condition:** Policies and procedures were not designed regarding a review of timesheets to ensure both employee and official or department head have reviewed and signed all timesheets and pay claims.

**Effect of Condition:** These conditions could result in inaccurate records or incomplete information of employees’ time resulting in a potential loss of county funds.

**Recommendation:** OSAI recommends all County officials have properly approved time records to support monthly payroll. Each employee’s time record should reflect the hours worked for each day; the compensatory time earned, taken or paid; and be approved by the County officer or department head.

Additionally, OSAI recommends that all pay claims be reviewed and approved by the official prior to the issuance of payroll.

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**Management Response:**

**BOCC Chairman:** Although I was not in office in fiscal year 2010, we appreciate and value your suggestions regarding our 2010 audit findings. I have spoken with the Kay County officers regarding such findings that will need to be corrected and will rely on their corrective action plans.

**County Commissioner District 1:** We now have a monthly time record signed in by the employees and supervisor. We did not have this in place in 2010.

**County Sheriff:** The Sheriff's office does maintain time records. As our employees are salaried, if their hours change by having overtime/comp-time (accrued or used), vacation, sick leave, or holiday leave, they fill out and turn in a signed information sheet. The hours are checked and then signed by the Patrol Captain and Undersheriff or Sheriff. The payroll claims are then signed by the Sheriff or Undersheriff before they are sent to the Commissioners.

**Auditor Response:** Upon review of time records, it was noted that the Sheriff only has records for time exceptions and records for full-time employees do not indicated time actually worked.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, time records should be used to document hours worked and leave used each day. Time records should be signed by both the employee and the Supervisor/County Official certifying the validity of the hours worked and/or leave used. Additionally, all pay claims should be reviewed and approved by the official prior to the issuance of payroll.

**Finding 2010-13 – Inadequate Internal Controls Over Signature Stamps – County Treasurer**

**Condition:** Upon inquiry and observation of the procedures involved in the registering and paying of warrants, we noted the follow control deficiencies within the County Treasurer's office.

- The County Treasurer's signature stamp is kept in an unlocked drawer in a desk in the office.
- The County Treasurer's signature stamp is used by someone other than the County Treasurer to stamp warrants as being registered.

**Cause of Condition:** Procedures have not been designed and implemented to ensure the safe keeping of the County Treasurer's signature stamp.

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

**Recommendation:** OSAI recommends the County Treasurer implement procedures to monitor the safe keeping and usage of the signature stamp. Officials who utilize signature stamps should ensure that signature stamps are adequately safeguarded from unauthorized use.

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**Management Response:**

**BOCC Chairman:** Although I was not in office in fiscal year 2010, we appreciate and value your suggestions regarding our 2010 audit findings. I have spoken with the Kay County officers regarding such findings that will need to be corrected and will rely on their corrective action plans.

**County Treasurer:** I have rectified this issue and signature stamps are now kept in vault and will only be used by County Treasurer.

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

**Finding 2010-14 – Inadequate Internal Controls Over Bank Reconciliations and Accounts (Repeat Finding)**

**Condition:** Based on testwork performed, there was no indication of review of the bank reconciliations by someone other than the preparer. Also, the Flood Plain Management, County Clerk Office Fund, and Officers Association bank accounts are under the County's tax identification number (EIN), but were not on the general ledger.

**Cause of Condition:** Procedures have not been designed to ensure all accounts are reconciled, approved, and on the general ledger.

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

**Recommendation:** OSAI recommends all accounts be reconciled on a monthly basis and that the Treasurer ensures that all bank reconciliations reflect an indication of review, that they are approved by someone other than the preparer. Also, any accounts or investments recorded under the County's tax identification number should be included on the general ledger.

**Management Response:**

**BOCC Chairman:** Although I was not in office in fiscal year 2010, we appreciate and value your suggestions regarding our 2010 audit findings. I have spoken with the Kay County officers regarding such findings that will need to be corrected and will rely on their corrective action plans.

**County Treasurer:** The County Treasurer does review all bank statements and even processes the monthly Miscellaneous Receipts for most bank statements as well as compare amounts to general ledger. In the future, I will also initial each statement after review. Concerning the funds that were under the County's tax identification number (EIN), these accounts have been changed and do not have the County's EIN number.

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**Auditor Response:** Although the Treasurer reviews bank reconciliations, there was no indication of this review.

**Criteria:** To help ensure a proper accounting of funds, all bank accounts and investments identified with the County's tax identification number should be included on the general ledger. Bank reconciliations should be performed on a monthly basis and approved by someone other than the preparer and include an indication of review.

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

**Finding 2010-3 – Schedule of Expenditures of Federal Awards (Repeat Finding)**

**PASS-THROUGH GRANTOR:** All

**FEDERAL AGENCY:** All

**CFDA NO:** All

**FEDERAL PROGRAM NAME:** All

**FEDERAL AWARD YEAR:** 2010

**CONTROL CATEGORY:** All

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

**Condition:** The offices and/or departments within the County, that expended federal funds, have not designed and implemented formal procedures for the reporting of its federal programs as required by OMB Circular A-133.

During our review and reconciliation of the Schedule of Expenditures of Federal Awards as initially prepared by Kay County, the following was noted:

- CFDA #10.923 – Emergency Watershed Protection Program expenditures for \$11,469 was not reported.
- CFDA #20.205 – Highway Planning and Construction (BIA) expenditures were understated by \$665,393.
- CFDA #97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters) FEMA-4064 expenditures were understated by \$193,005.
- CFDA #20.601 – Alcohol Impaired Driving Countermeasures Incentive Grants I expenditures were overstated by \$23,124.
- CFDA #20.609 – Safety Belt Performance Grants expenditures were understated by \$9,750.
- CFDA #20.703 – Interagency Hazardous Materials Public Sector Training and Planning Grants expenditures were overstated by \$3,936.

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These errors resulted in the Schedule of Expenditures of Federal Awards being understated by \$852,557.

**Cause of Condition:** Procedures have not been designed to accurately report federal expenditures on the Schedule of Expenditures of Federal Awards.

**Effect of Condition:** These conditions resulted in a misstatement of the Schedule of Expenditures of Federal Awards.

**Recommendation:** OSAI recommends Kay County implement a policy for handling all federal grants awarded to the County. These policies could incorporate by reference applicable federal regulations to be followed, as well as the appropriate policy for the application, receipt, and expenditure of federal funds. OSAI also recommends that amounts reported on the Schedule of Expenditures of Federal Awards be reconciled to accounting records.

**Management Response:**

**BOCC Chairman:** Although I was not in office in fiscal year 2010, we appreciate and value your suggestions regarding our 2010 audit findings. I have spoken with the Kay County officers regarding such findings that will need to be corrected and will rely on their corrective action plans.

**County Sheriff:** The Alcohol Impaired Driving Countermeasures Incentive Grants I, CFDA #20.601, and the Safety Belt Performance Grants, CFDA #20.609, are the same grant; they apparently have two different CFDA numbers because they fit two categories. With these grants we are allowed a number of hours of over-time pay for the deputies, the reason that we will sometime overstate or understate the expenditures in a month is the deputies hours that they can work fluctuates. Also, a major cause for the fluctuation is these are federal grants and the federal fiscal year is from October 1st until September 30th the following year and not July 1st until June 30th as the state fiscal year. We will try to improve our record keeping for each month.

**County Commissioner District 1:** We have forms in place now to better monitor projects.

**Prior County Commissioner District 2:** We will strive to do better on this. We now have the forms in our possession to record all Federal Awards as they are received which should alleviate this problem in the future.

**County Clerk:** This was the first year the County prepared the SEFA. The County Clerk compiled the SEFA Report from records given by each department and each officer signs off on the report. Now that the County has a better understanding of the records required the County can provide a more accurate reporting.

In August of 2012, the County Clerk wrote a Standard Operating Procedures of Internal Controls Handbook for Kay County. The handbook was given to the following departments: Commissioner Districts 1, 2, and 3, County Sheriff, County Treasurer, and Emergency Management Director. The handbook consists of State and Federal guidelines to follow regarding federal monies received and

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expended. The handbook describes Background, Purpose, and Applicability, Matrix of Compliance Requirements, Compliance Requirements, Agency Program Requirements and Internal Controls.

**County Treasurer:** No federal expenditures for the County Treasurer's office, but I do provide information to other offices when applicable.

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

Subpart C—Auditees

§\_\_\_.300 Auditee responsibilities.

The auditee shall:

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

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

Further, accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, an accurate record of federal expenditures should be maintained.

**Finding 2010-16 – Inadequate County-Wide Controls Over Major Programs – BIA**

**PASS-THROUGH GRANTOR:** Bureau of Indian Affairs

**FEDERAL AGENCY:** U.S. Department of Transportation

**CFDA NO:** 20.205

**FEDERAL PROGRAM NAME:** Highway Planning and Construction

**FEDERAL AWARD NUMBER:** RAC00310003, AGB00090026, RAC00310001, AGB00090027, and AGB00100019

**FEDERAL AWARD YEAR:** 2010

**CONTROL CATEGORY:** Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Davis-Bacon Act; Period of Availability; Procurement, Suspension and Debarment; and Reporting.

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

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

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

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

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

**Management Response:**

**BOCC Chairman:** Although I was not in office in fiscal year 2010, we appreciate and value your suggestions regarding our 2010 audit findings. I have spoken with the Kay County officers regarding such findings that will need to be corrected and will rely on their corrective action plans.

**County Clerk:** In August of 2012, the County Clerk wrote a Standard Operating Procedures of Internal Controls Handbook for Kay County. The handbook was given to the following departments: Commissioner Districts 1, 2, and 3, County Sheriff, County Treasurer, and Emergency Management Director.

The handbook consists of State and Federal guidelines to follow regarding federal monies received and expended. The handbook describes Background, Purpose, and Applicability, Matrix of Compliance Requirements, Compliance Requirements, Agency Program Requirements and Internal Controls. The County Clerk compiles the SEFA Report from records given by each department and each officer signs off on the final report.

Hopefully, by having this Internal Controls handbook in place it will correct some of the issues.

**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.

Control Environment is the foundation of an effective internal control system and begins with the "tone at the top" - the words and actions of management. Under an effective control environment, employees view internal control as essential and integral to doing their day-to-day job duties.

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.

Information and Communication is a component of internal control which should allow for effective communication of relevant, accurate, and timely information that is required to meet the County's

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

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

**Finding 2010-17 – Internal Controls and Noncompliance Over Major Programs – BIA**

**PASS THROUGH GRANTOR:** Bureau of Indian Affairs

**FEDERAL AGENCY:** U.S. Department of Transportation

**CFDA NO:** 20.205

**FEDERAL PROGRAM NAME:** ARRA – Highway Planning and Construction

**FEDERAL AWARD NUMBER:** RAC00310003, AGB00090026, RAC00310001, AGB00090027, and AGB00100019

**FEDERAL AWARD YEAR:** 2010

**CONTROL CATEGORY:** Allowable Costs/Cost Principles; Davis-Bacon Act; and Reporting.

**QUESTIONED COSTS:** \$1,264,799

**Condition:** During the process of documenting the County’s internal controls regarding federal disbursements, we noted the County has not established internal controls to ensure compliance with the following compliance requirements: Allowable Costs/Cost Principles; Davis-Bacon Act; and Reporting.

During the review of twelve or 100% of BIA expenditures, we noted the following:

- Prevailing wage rate clauses were not included in BIA - North Enterprise Road Project or the BIA-Riverview Road Project documentation.
- Certified payroll reports were not submitted for the BIA - North Enterprise Road Project, BIA-“S” Street Project, BIA-Pecan Road Project, and the BIA-Riverview Road Project.
- Federal expenditures in the amount of \$539,474.40 were issued out of wrong appropriated accounts.
- Receiving reports were not present to support \$1,264,799 in federal expenditures.
- Invoices to support fiscal year 2010 purchase orders #2327 - BIA Pecan Road, and #3560-BIA Pecan Road did not have dates.
- Encumbrances for fiscal year 2010 purchase orders #4085-BIA Pecan Road in the amount \$5,156,389.16 and #2352-BIA Riverview in the amount of \$10,857.22 were made after the invoice dates.
- American Recovery Reinvestment Act expenditures in the amount of \$601,335.38 (fiscal year 2010 purchase orders #4085 – Pecan Road, #1437 – “S” Street, #3391 – “S” Street) were not supported by a vendor contract containing the required Buy-America clause.

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**Cause of Condition:** Procedures have not been designed to ensure compliance with OMB Circular A-133. The County is not following established purchasing procedures.

**Effect of Condition:** These conditions resulted in noncompliance to grant requirements. The County runs the risk of misappropriation of funds and the possibility of not having adequate funds available to pay for expenses incurred.

**Recommendation:** OSAI recommends the County gain an understanding of requirements for these programs and implement internal controls to ensure compliance with requirements. OSAI also recommends Kay County practice proper purchasing procedures. All purchases should be properly requisitioned, encumbered, approved, and received with proper supporting documentation attached.

**Management Response:**

**BOCC Chairman:** Although I was not in office in fiscal year 2010, we appreciate and value your suggestions regarding our 2010 audit findings. I have spoken with the Kay County officers regarding such findings that will need to be corrected and will rely on their corrective action plans.

**County Clerk:** The County Clerk is not directly responsible for each of the controls for the items listed above. This was done outside of the clerks' responsibilities and duties. The clerk's office does the purchasing and bidding upon request of other officers and has no control over accounts they spend money in; the clerk is not the requisitioning officer of these accounts and is not the receiving officer for the BIA accounts.

**County Commissioner District 1:** We believed that we were not required to follow the Davis Bacon Act because this was not stimulus monies. Now that it has been brought to our attention we now require wage rate and certified payroll reports. We now attached itemized receiving report to all purchase orders.

**Current County Commissioner District 2:** I was not in office at these times; however, we as a commissioner board will look at the projects to see if they fall under A-133, and if so we will go to CFDA.gov and make sure we are in compliance with all requirements and regulations. We will also make sure we are following the purchasing procedure regulations.

**Auditor Response:** The contracts between the County and the BIA for the "S" Street and Pecan Road projects clearly stated that the funds were "funded under the American Recovery and Reinvestment Act of 2009" (stimulus); regardless, the Davis-Bacon Act is a Federal requirement for all federally funded construction projects regardless of whether the funds were stimulus or not.

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

Subpart C—Auditees

§\_\_.300 Auditee responsibilities.

The auditee shall:

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

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

OMB A-133 Compliance Supplement for Compliance Requirement Allowable Costs—requires adequate documentation which would include detailed invoices and receiving information.

OMB A-133 Compliance Supplement for Compliance Requirement Davis – Bacon Act requires all laborers and mechanics employed by contractors or subcontractors to work on construction contracts in excess of \$2,000 financed by Federal assistance fund must be paid wages not less than those established for the locality of the project (prevailing wage rate) by the Department of Labor (40 USC 3141-3144, 3146, and 3147 (formerly 40 USC 276a to 276a-7)). Further, documentation of compliance with this requirement should be retained by the county.

American Recovery Reinvestment Act (ARRA) § 1605 Subpart 25.6—American Recovery and Reinvestment Act—Buy American Act—Construction Materials requires the use of American made products. Documentation of compliance with this requirement should be retained by the county.

Title 62 O.S. § 310.1 states in part:

Unless otherwise provided by ordinance, officers, boards, commissioners and designated employees of...shall submit all purchase orders and contracts prior to the time the commitment is made, to the officer charged with keeping the appropriation and expenditure records or clerk, who shall, if there be an unencumbered balance in the appropriation made for that purpose, so certify...that the amount of this encumbrance has been entered against the designated appropriation account...

Title 19 O.S. § 1505.E. states in part:

A receiving officer for the requesting department shall be responsible for receiving all items delivered to that department... the receiving officer shall obtain the delivery ticket, bill of lading, or other delivery document and compare it with the purchase order...the receiving officer shall complete a receiving report in quadruplicate which shall state the quantity and quality of goods delivered...the receiving officer shall file the receiving report and submit the original and a copy...to the county purchasing agent and a copy of the receiving report with delivery documentation to the county clerk...The invoice shall state the name and address of the vendor and must be sufficiently itemized to clearly describe each item purchased, the unit price when applicable, the number or volume of each item purchased, the total price, the total purchase price, and the date of the purchase. Upon receipt of an invoice the county clerk shall compare the following documents: a.) requisition, b.) purchase order, c.) invoice with noncollusion affidavit as required by law, d.) receiving report and e.) delivery documentation ...If the documents conform as to the quantity and quality of the items, the county clerk shall prepare a warrant for payment...

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

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

**Condition:** Upon inquiry and observation of the Court Clerk’s office it was noted that one person is responsible for performing the daily close out, preparing the deposit, and taking the deposit to the County Treasurer. Another person is responsible for preparing claims and vouchers, signing vouchers, mailing out vouchers, retaining claims, and supporting documentation, preparing monthly reconciliations, and quarterly reporting.

**Cause of Condition:** The Court Clerk’s office has not implemented procedures to ensure adequate controls are in place to safeguard assets and to separate key functions and processes among various employees in the office or to have levels of review over the processes performed.

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

**Recommendation:** OSAI recommends the following key accounting functions of the Court Clerk’s office be adequately segregated:

- Preparing and reviewing deposits and taking them to the bank.
- Maintaining accounting records and reconciling bank statements.

In addition, OSAI recommends establishing a system of controls to adequately protect the collections of the Court Clerk’s office, which includes but are not limited to the following:

- Establish separate cash drawers for all employees receiving cash.
- A daily log of mailed in receipts should be compiled.

**Management Response:**

**County Court Clerk:** I did not take office until September 4, 2012. From this point forward, a person other than the preparer will review and approve reports from the bookkeeper.

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

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**Finding 2010-20 – Inadequate Internal Controls Over the Court Fund**

**Condition:** During our audit of the Court Clerk's records, the following was noted:

- The Court Fund annual report was not completed accurately as to reflect the Court Clerk's balance.
- The Court Clerk did not reconcile the Court Fund collections, disbursements, and ending balance to the County Treasurer.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure the Court Fund is reconciled to the County Treasurer at year end and the Court Fund annual report is completed accurately and reviewed and approved by someone other than the preparer.

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

**Recommendation:** OSAI recommends reconciliations of the Court Fund be performed and approved by someone other than the preparer and that evidence of review should be documented and year end reports be prepared accurately and reviewed and approved by someone other than the preparer.

**Management Response:**

**County Court Clerk:** I did not take office until September 4, 2012. From this point forward, a person other than the preparer will review and approve reports from the bookkeeper.

**Criteria:** Effective internal controls are necessary to ensure stewardship and accountability of public funds. Important aspects of effective accounting procedures includes reconciliations for all accounts be performed and reviewed and approved by someone other than the preparer and annual reports be completed accurately and reviewed and approved by someone other than the preparer.

**Finding 2010-21 – Inadequate Internal Controls and Noncompliance Over the Inmate Trust and Sheriff Commissary Funds**

**Condition:** An audit of the Inmate Trust and Sheriff Commissary Funds reflected the following:

- Lack of segregation of duties - one employee is responsible for accessing and balancing the drop box, preparing deposit slips, taking deposits to the bank, reconciling account balances, posting payments and disbursements to inmate records, calculating amount(s) written out of accounts, issuing checks, and performing bank reconciliations.
- Inmate Trust funds are not deposited into the Inmate Trust Fund checking account on a daily basis.
- There is no evidence that receipts are compared to collections.
- Bank reconciliations were not reviewed and approved by someone other than the preparer.
- Checks did not always have two signatures on the face of the check as required.

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- Checks were issued for unauthorized expenditures:
  - fines paid to the Kay County Court Clerk,
  - fines paid to the City of Newkirk,
  - reimbursement to jail employee,
  - sales tax payments to OTC, and
  - payments paid to commissary vendor.
- Two of the twelve disbursements tested did not have signatures authorizing the release of funds.
- The County Sheriff's office does not prepare and file an annual report for the Commissary Fund with the Board of County Commissioners by January 15th, of each year.

**Cause of Condition:** Policies and procedures have not been designed regarding the Inmate Trust and Sheriff Commissary Funds.

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

**Recommendation:** Regarding Inmate Trust and Sheriff Commissary Funds: OSAI recommends that the Sheriff maintain Inmate Trust Fund monies in a manner that reflects each inmate's trust deposits, disbursements, and account balances. The inmates' trust fund balances should be reconciled to the bank statements each month, collection of inmate monies should be deposited daily, and no operating expenditures should be made from this fund. All checks from the inmate trust fund should be signed and have two authorized signatures. The County Sheriff should comply with state statutes regarding the Commissary Fund with the County Treasurer. The Sheriff should file a report of the commissary with the County Commissioners by January 15th, of each year.

**Management Response:**

**County Sheriff:** As of October 2010, the Jail Facilities Authority took over the operations of the Jail and the Inmate Trust.

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

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

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Title 19 O.S. § 531 A. states in part, “The county sheriff may establish a checking account, to be designated the “Inmate Trust Checking Account”. The county sheriff shall deposit all monies collected from inmates incarcerated in the county jail into this checking account and may write checks to the Sheriff’s Commissary Account for purchases made by the inmate during his or her incarceration and to the inmate from unencumbered balances due the inmate upon his or her discharge.” In addition, Title 19 O.S. § 531 C. states, “Banking fees on the account may be paid out of the Sheriff Commissary Account or the county Sheriff’s Service Cash Fund.”

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**Finding 2009-9 – FEMA – Schedule of Expenditures of Federal Awards**

**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 YEAR:** 2009

**CONTROL CATEGORY:** All

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

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

**Status:** No corrective action taken; however, two years have passed since the audit report was submitted to the federal clearinghouse. The federal agency or pass-through entity are not currently following up with the auditee on the finding, and a management decision was not issued by the federal agency or the pass-through entity.

**Finding 2009-10 – FEMA Files – Documentation of Federal Expenditures**

**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:** 1775, 1803

**FEDERAL AWARD YEAR:** 2009

**CONTROL CATEGORY:** All

**QUESTIONED COSTS:** \$137,602.92

**Finding Summary:** Districts 1 and 2 were unable to provide adequate documentation to support the federal monies disbursed on disasters.

**Status:** No corrective action taken; however, two years have passed since the audit report was submitted to the federal clearinghouse. The federal agency or pass-through entity are not currently following up with the auditee on the finding, and a management decision was not issued by the federal agency or the pass-through entity.



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