

COUNTY AUDIT

# KIOWA COUNTY

For the fiscal year ended June 30, 2011



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



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

**KIOWA COUNTY, OKLAHOMA  
FINANCIAL STATEMENT  
AND INDEPENDENT AUDITOR'S REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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



# Oklahoma State Auditor & Inspector

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

August 21, 2012

TO THE CITIZENS OF  
KIOWA COUNTY, OKLAHOMA

Transmitted herewith is the audit of Kiowa County, Oklahoma for the fiscal year ended June 30, 2011. The audit was conducted in accordance with 19 O.S. § 171.

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

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

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

Sincerely,

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

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

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

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

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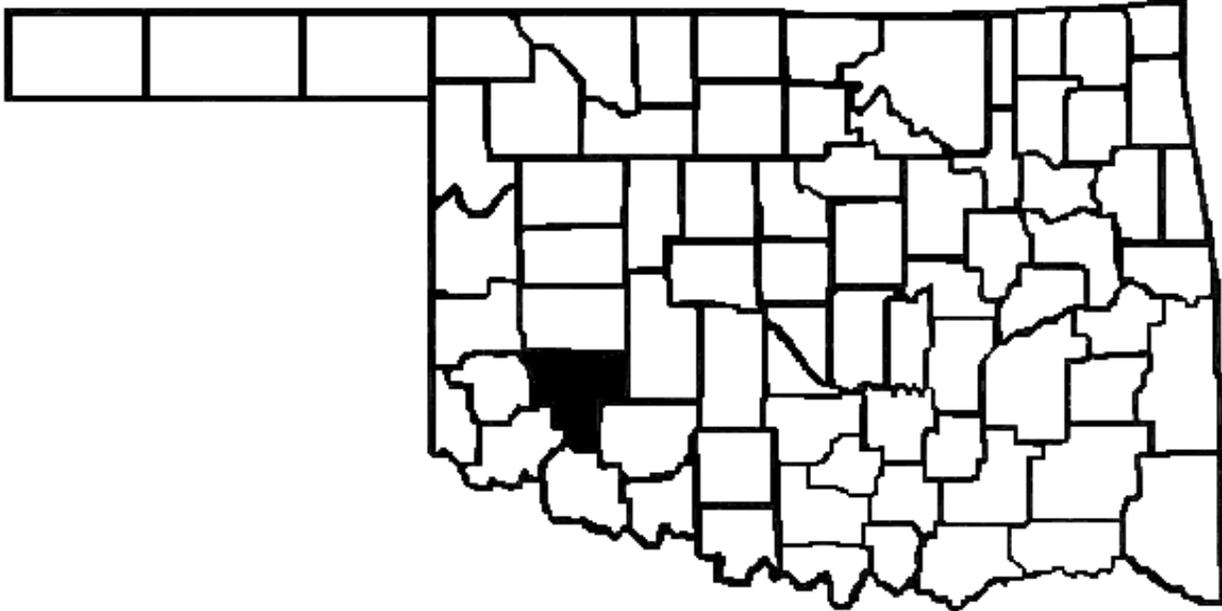
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**KIOWA COUNTY, OKLAHOMA  
STATISTICAL INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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Kiowa County was formed in 1901 from part of the original Kiowa-Comanche-Apache Indian Reservation area, and was named for the Kiowa Indian tribe. Cattle, agriculture, and cash crops are major sources of income for the county.

The county was also home to author N. Scott Momaday. The Kiowa Tribal Museum and Headquarters is located in Carnegie. The Kiowa County Historical Society has published six books, which are available at the Kiowa County Museum in Hobart.

County Seat – Hobart

Area – 1,030.66 Square Miles

County Population – 9,101  
(2009 est.)

Farms – 682

Land in Farms – 564,592 Acres

Primary Source: Oklahoma Almanac 2011-2012

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

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**Board of County Commissioners**

District 1 – Tim Bingham  
District 2 – Dee Max Corbin  
District 3 – Tom Anderson

**County Assessor**

Buddy Jones

**County Clerk**

Geanea Watson

**County Sheriff**

Russ Tate

**County Treasurer**

Deanna Miller

**Court Clerk**

Chris Sanders

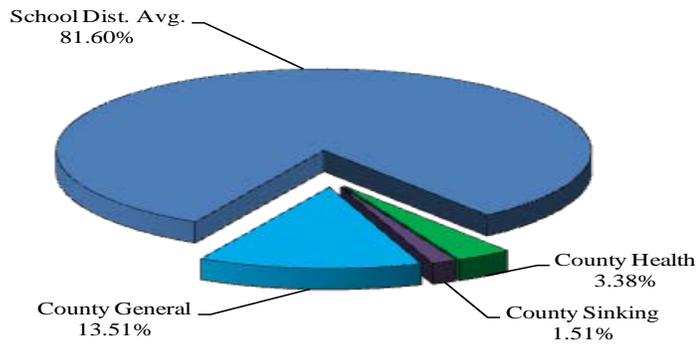
**District Attorney**

John Wampler

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

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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.

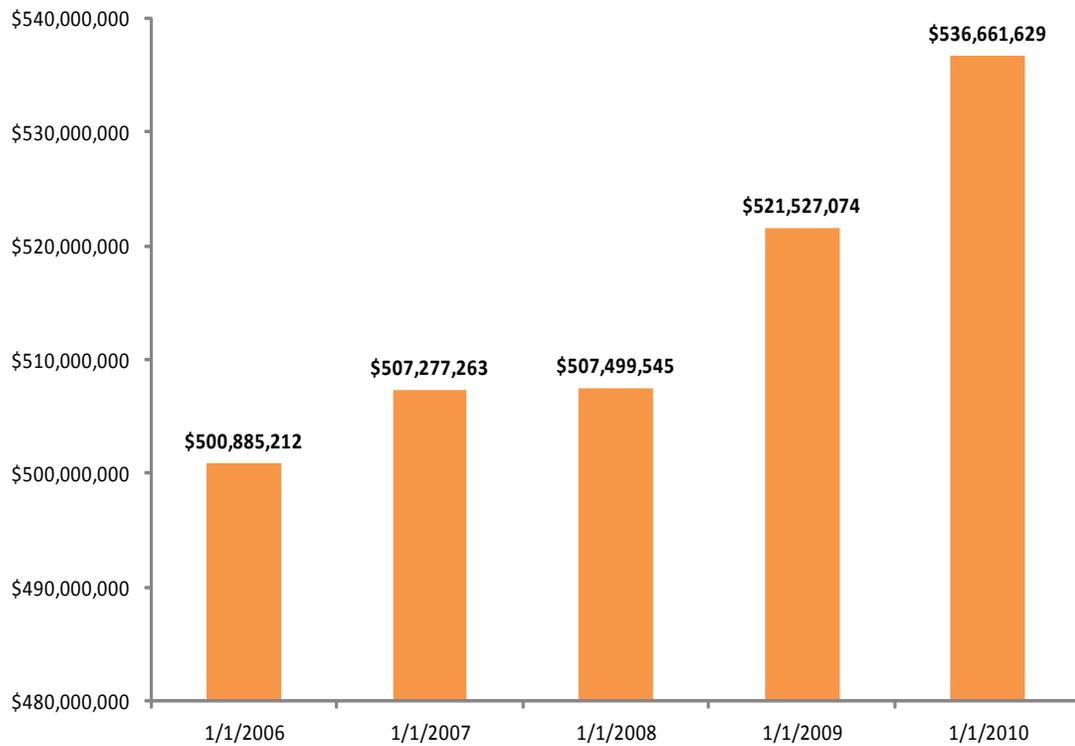


County-Wide Millages		School District Millages								
		Career								
		Gen.	Bldg.	Skg.	Tech	Common	EMS	Total		
County General	10.44									
County Health	2.61	Hobart	I-1	36.29	5.18	21.47	12.39	4.18	-	79.51
County Sinking	1.17	Lone Wolf	I-2	36.60	5.23	6.94	12.39	4.18	-	65.34
		Greer County	J-2	35.67	5.10	6.94	12.74	-	-	60.45
		Mt. View-Gotebo	I-003	36.58	5.23	-	11.52	4.18	3.14	60.65
		Comanche County	J-03	36.72	5.25	-	11.89	-	3.15	57.01
		Washita County	J-03	36.95	5.28	-	11.57	-	3.17	56.97
		Snyder	I-4	36.68	5.24	-	14.53	4.18	-	60.63
		Tillman County	J-4	36.60	5.23	-	14.51	-	-	56.34
		Comanche County	J-4	37.97	5.42	-	14.25	-	-	57.64
		Washita County	J-1	36.54	5.22	-	12.39	4.18	-	58.33
		Comanche	J-2	35.16	5.02	12.14	14.53	4.18	-	71.03
		Caddo	J-33	37.53	5.37	13.42	11.52	4.18	-	72.02
		Jackson	J-54	36.21	5.17	8.08	10.35	4.18	-	63.99

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

Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2010	\$18,232,980	\$10,222,729	\$37,397,988	\$2,608,516	\$63,245,181	\$536,661,629
1/1/2009	\$19,590,895	\$9,198,154	\$36,380,823	\$2,647,790	\$62,522,082	\$521,527,074
1/1/2008	\$19,114,249	\$8,852,085	\$35,399,240	\$2,624,250	\$60,741,324	\$507,499,545
1/1/2007	\$20,054,919	\$8,589,578	\$34,484,240	\$2,647,737	\$60,481,000	\$507,277,263
1/1/2006	\$19,776,493	\$8,969,416	\$33,821,454	\$2,637,120	\$59,930,243	\$500,885,212

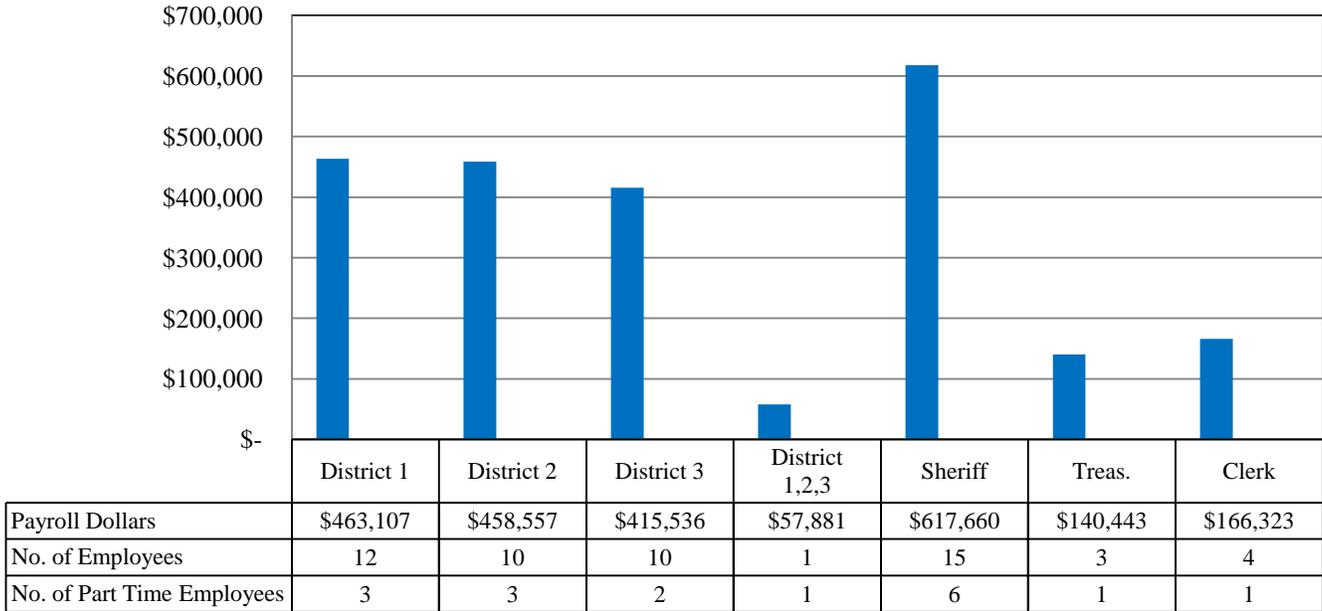
**Estimated Fair Market Value**



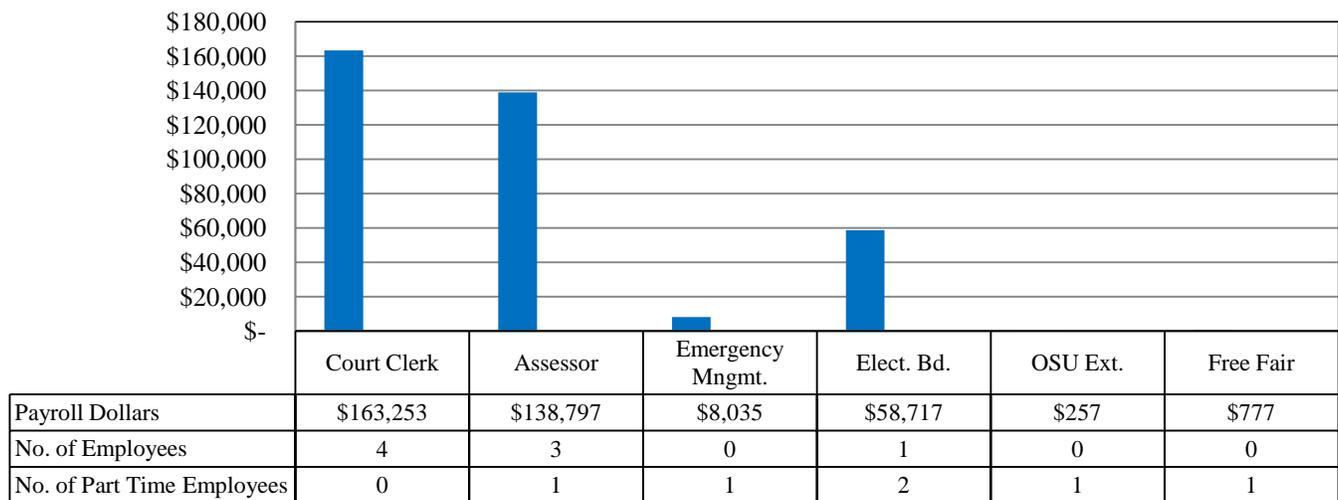
**KIOWA COUNTY, OKLAHOMA  
COUNTY PAYROLL EXPENDITURES ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

County officers' salaries are based upon the assessed valuation and population of the counties. State statutes provide guidelines for establishing elected officers' salaries. The Board of County Commissioners sets the salaries for all elected county officials within the limits set by the statutes. The designated deputy or assistant's salary cannot exceed the principal officer's salary. Salaries for other deputies or assistants cannot exceed the principal officer's salary. The information presented below is for the fiscal year ended June 30, 2011.

**Payroll Expenditures by Department**



**Payroll Expenditures by Department**

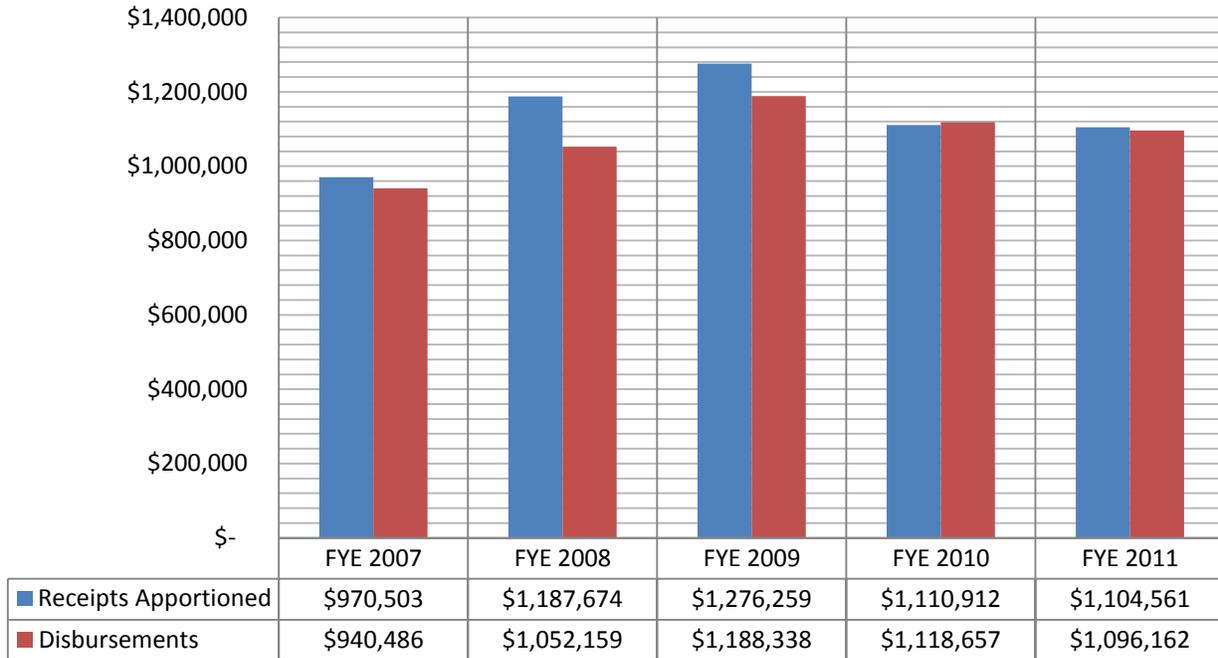


**KIOWA COUNTY, OKLAHOMA  
COUNTY GENERAL FUND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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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.

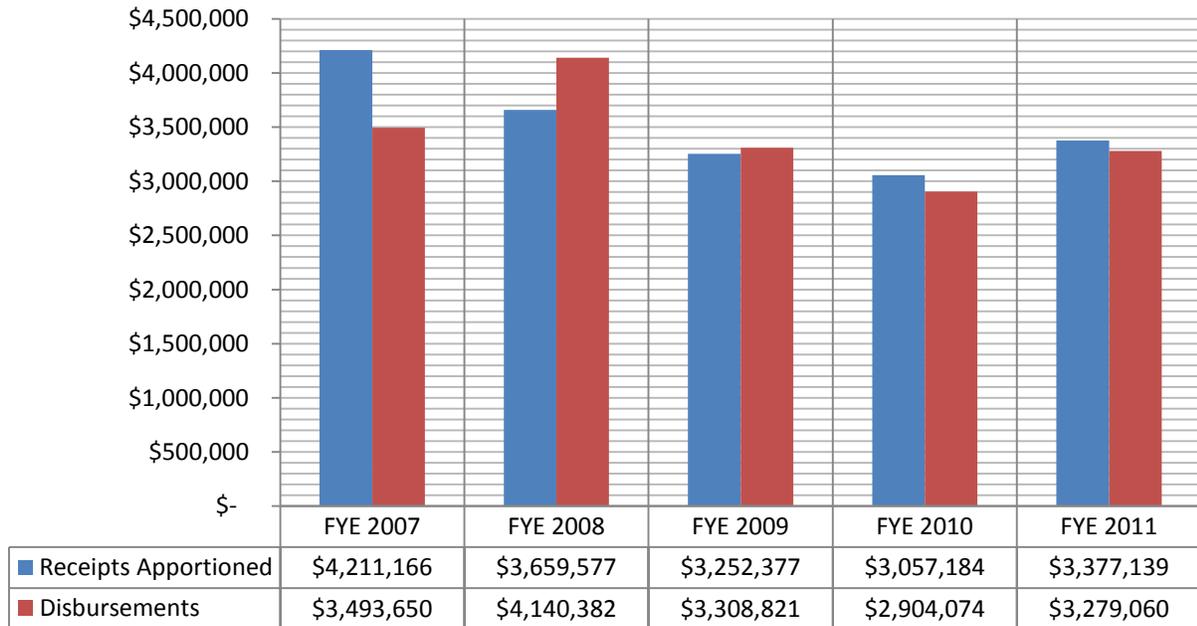


**KIOWA COUNTY, OKLAHOMA  
COUNTY HIGHWAY FUND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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## County Highway Fund

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



**FINANCIAL SECTION**



# Oklahoma State Auditor & Inspector

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

## Independent Auditor's Report

TO THE OFFICERS OF  
KIOWA 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 Kiowa County, Oklahoma, as of and for the year ended June 30, 2011 listed in the table of contents as the financial statement. This financial statement is the responsibility of Kiowa 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 Kiowa County as of June 30, 2011, or changes in its financial position for the year then ended.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash balances for all county funds of Kiowa County, for the year ended June 30, 2011, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 20, 2012, on our consideration of Kiowa 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

August 20, 2012

**REGULATORY BASIS FINANCIAL STATEMENT**

**KIOWA COUNTY, OKLAHOMA**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND**  
**CHANGES IN CASH BALANCES—REGULATORY BASIS**  
**(WITH COMBINING INFORMATION)—MAJOR FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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	Beginning Cash Balances July 1, 2010	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2011
Combining Information:						
Major Funds:						
County General Fund	\$ 591,482	\$ 1,104,561	\$ -	\$ -	\$ 1,096,162	\$ 599,881
County Highway Cash	2,924,540	3,377,139	253,922		3,279,060	3,276,541
Highway County Bridge Road Improvement Fund		925,565		253,922	17,097	654,546
County Health Department	167,019	247,450			137,042	277,427
Sales Tax Revolving Fund	232,306	342,096			345,841	228,561
Governmental Obligation Bonds of 2008	4,429					4,429
Governmental Obligation Bond - Investment	200,000				69,141	130,859
Governmental Obligation Bond - Sinking Fund	44,530	74,724			75,930	43,324
Community Development Block Grant (CDBG)		246,880			246,880	
Remaining Aggregate Funds	300,793	453,362			433,131	321,024
<b>Combined Total - All County Funds</b>	<b>\$ 4,465,099</b>	<b>\$ 6,771,777</b>	<b>\$ 253,922</b>	<b>\$ 253,922</b>	<b>\$ 5,700,284</b>	<b>\$ 5,536,592</b>

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

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

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**1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

Kiowa 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 major county funds included as combining information within the financial statement:

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

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

Highway County Bridge Road Improvement Fund - accounts for state receipts and disbursements for the purpose of maintaining bridges and roads.

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

Sales Tax Revolving Fund - accounts for collection of sales tax and disbursed in accordance with the sales tax ballot.

Governmental Obligation Bonds of 2008 - accounts for the sale of a general obligation bond in the amount of \$550,000 to be disbursed for the addition of a new elevator on the north side of the courthouse and other courthouse renovations and updates.

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

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Governmental Obligation Bond - Investment - accounts for investments made of general obligation bond funds in anticipation of further courthouse renovations and updates.

Governmental Obligation Bond - Sinking Fund - accounts for the collection of an ad valorem tax levy to be disbursed for the payment of bond indebtedness.

Community Development Block Grant (CDBG) – accounts for the collection of federal funds to be disbursed to comply with ADA (American’s with Disabilities Act) Accessibility requirements.

**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 on a regulatory basis. 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.

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

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

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

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

**2. Ad Valorem Tax**

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

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

**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.

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

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

**B. Other Post Employment Benefits (OPEB)**

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

**C. Contingent Liabilities**

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

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

**D. Long Term Obligations**

**General Obligation Bonds**

The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. Debt service on the bonds will be paid from ad valorem taxes levied and assessed on behalf of the issuer and deposited to the Sinking Fund.

Kiowa County General Obligation Bonds of 2008 – These bonds were issued June 1, 2008, in the amount of \$550,000 to the UMB Bank, n.a. Kansas City, Missouri. The General Obligation Bond of 2008 was to provide funds for the purpose of repairing and replacing the roof of the courthouse and jail, remodeling the courthouse to make it handicap accessible under the provisions of the Americans With Disabilities Act including the repair and replacement of an elevator in the courthouse, exterior masonry repair to the courthouse, and repair or replacement of windows in the courthouse.

For the ad valorem tax year of 2010, fiscal year ending June 30, 2011, a 1.17 mills levy was collected by the tax payers of Kiowa County.

Principal payments of the General Obligation Bonds of 2008 are due annually on June 1 until the final maturity date of June 1, 2018.

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

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds are required to be fully paid within 10 years from the date of issue. General obligation bonds currently outstanding at June 30, 2011, are as follows.

Purpose	Interest Rate	Original Amount
Kiowa County General Obligation Bonds of 2008	2.75%-3.60%	\$550,000

Beginning Balance	Additions	Reductions	Ending Balance	Amount due within one year
\$490,000	\$ - 0-	\$60,000	\$430,000	\$60,000

During fiscal year 2011, payments included \$60,000 for principal and \$15,930 for interest.

Annual debt service requirements to maturity for general obligation bonds, including interest of \$59,640, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2012	\$ 60,000	\$ 14,220	\$ 74,220
2013	60,000	12,420	72,420
2014	60,000	10,560	70,560
2015	60,000	8,640	68,640
2016-2018	190,000	13,800	203,800
Total	\$430,000	\$59,640	\$489,640

**E. Sales Tax**

On April 6, 1993, the voters of Kiowa County approved a sales tax of .5%. The duration of the sales tax is unlimited. The money derived from the sales tax is distributed as follows: \$10,000 for Kiowa County Free Fair; \$25,000 for OSU Extension; \$25,000 for Senior Citizen Centers; \$2,500 for Kiowa County Historical Society, with the remaining sales tax to be apportioned to the Sheriff's office in the Sales Tax Revolving Fund.

**F. Interfund Transfers**

Interfund transfers consist of a transfer from the Highway County Bridge Road Improvement Fund to reimburse County Highway Cash for expenditures on bridge projects in the amount of \$253,922.

**OTHER SUPPLEMENTARY INFORMATION**

**KIOWA COUNTY, OKLAHOMA**  
**COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND**  
**CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—**  
**GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 591,482	\$ 591,482	\$ -
Less: Prior Year Outstanding Warrants	(33,910)	(33,910)	-
Less: Prior Year Encumbrances	(3,170)	(3,085)	85
Beginning Cash Balances, Budgetary Basis	<u>554,402</u>	<u>554,487</u>	<u>85</u>
Receipts:			
Ad Valorem Taxes	600,711	685,477	84,766
Charges for Services	-	109,613	109,613
Intergovernmental Revenues	82,187	221,229	139,042
Miscellaneous Revenues	-	88,242	88,242
Total Receipts, Budgetary Basis	<u>682,898</u>	<u>1,104,561</u>	<u>421,663</u>
Expenditures:			
County Sheriff	228,816	228,816	-
County Treasurer	144,078	137,323	6,755
County Commissioners	39,133	6,957	32,176
County Clerk	185,556	185,538	18
Court Clerk	169,492	168,927	565
County Assessor	75,046	74,480	566
Revaluation of Real Property	98,515	83,626	14,889
General Government	199,412	158,308	41,104
Excise-Equalization Board	3,748	2,651	1,097
County Election Board	74,821	66,180	8,641
County Audit Budget Account	18,683	12,919	5,764
Total Expenditures, Budgetary Basis	<u>1,237,300</u>	<u>1,125,725</u>	<u>111,575</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	533,323	<u>\$ 533,323</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		50,930	
Add: Current Year Encumbrances		15,628	
Ending Cash Balance		<u>\$ 599,881</u>	

**KIOWA COUNTY, OKLAHOMA  
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND  
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—  
COUNTY HEALTH DEPARTMENT FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 167,019	\$ 167,019	\$ -
Less: Prior Year Outstanding Warrants	(6,779)	(6,779)	-
Less: Prior Year Encumbrances	(4,024)	(2,644)	1,380
Beginning Cash Balances, Budgetary Basis	156,216	157,596	1,380
Receipts:			
Ad Valorem Taxes	150,178	171,369	21,191
Charges for Services	-	75,670	75,670
Intergovernmental	75,958	138	(75,820)
Miscellaneous Revenues	-	273	273
Total Receipts, Budgetary Basis	226,136	247,450	21,314
Expenditures:			
Health and Welfare	382,352	142,758	239,594
Total Expenditures, Budgetary Basis	382,352	142,758	239,594
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	262,288	\$ 262,288
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		6,132	
Add: Current Year Outstanding Warrants		9,007	
Ending Cash Balance		\$ 277,427	

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

	Beginning Cash Balances July 1, 2010	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2011
Remaining Aggregate Funds:				
Resale Property	\$ 64,173	\$ 36,715	\$ 34,821	\$ 66,067
Treasurer Mortgage Tax Certification Fee	2,472	2,430		4,902
County Clerk Lien Fee	7,811	6,090	5,480	8,421
County Clerk Records, Management, & Preservation	8,879	12,570	11,440	10,009
Assessor Revolving	8,654	4,019	1,312	11,361
Assessor Visual Inspection	142			142
Assessor Hardware Upgrade	297			297
Sheriff Service Fee	82,461	73,888	122,076	34,273
Sheriff Board of Prisoners	76,783	143,121	86,086	133,818
Sheriff Emergency Management/EOC	19,204	22,430	13,758	27,876
Sheriff Drug Fund	40		40	
Sheriff Training	310		64	246
Sheriff Courthouse Security	16,553	9,155	14,800	10,908
Sheriff Miscellaneous Grants		12,925	13,609	(684)
Law Enforcement Fund	6,804	4,299	4,080	7,023
Community Service Sentencing Program	584		288	296
Juvenile Supervision	343			343
County Reward Fund	100	700		800
National Rifle Association	259			259
Emergency Management/EOC/FDS	3,040	20		3,060
Kiowa County Industrial Development Authority Building	1,884		277	1,607
REAP- Emergency Medical Service		125,000	125,000	
<b>Combined Total - Remaining Aggregate Funds</b>	<b>\$ 300,793</b>	<b>\$ 453,362</b>	<b>\$ 433,131</b>	<b>\$ 321,024</b>

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

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**1. Budgetary Schedules**

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

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

**2. Remaining County Funds**

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

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

Treasurer Mortgage Tax 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.

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

County Clerk Records, Management, & Preservation - accounts for fees collected for instruments filed in the County Clerk's office as restricted by statute for preservation of records.

Assessor Revolving - accounts for the collection of fees for copies restricted by state statute.

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

Assessor Hardware Upgrade - accounts for the collection and disbursement of funds received from the State of Oklahoma for the upgrade of Assessor computer equipment.

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

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

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Sheriff Board of Prisoners - accounts for the state receipts and disbursements for the purpose of maintaining Department of Corrections' inmates.

Sheriff Emergency Management/EOC - accounts for the collections of state grant money to maintain the Civil Defense Coordinator within the Sheriff's Department.

Sheriff Drug Fund - accounts for forfeitures and disbursements for drug enforcement within the County.

Sheriff Training - accounts for the collection of miscellaneous receipts and disbursements for the training of Sheriff's deputies.

Sheriff Courthouse Security - accounts for the collection of fees through the court system and disbursed for courthouse security.

Sheriff Miscellaneous Grants – accounts for grant monies received by the Sheriff's Department for disbursement in accordance with grant agreements.

Law Enforcement Fund - accounts for the collection of contracts for law enforcement of surrounding cities and towns and disbursement for personal services.

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

Juvenile Supervision - accounts for collection of state funds to provide housing for juveniles.

County Reward Fund - accounts for monies collected and disbursed to citizens involved in the reporting of littering offenses.

National Rifle Association - accounts for monies received from a private foundation and disbursements made for earplugs and bullets for OSU Extension training purposes.

Emergency Management/EOC/FDS - accounts for the collections of grant money for the disbursements of equipment for Emergency Management within the Sheriff's Department.

Kiowa County Industrial Development Authority Building – accounts for the collections from tiles sold and disbursed for maintenance of tiles and to provide assistance to the 4-H program.

REAP – Emergency Medical Service – account for the collection of a REAP grant to be disbursed for the Emergency Medical Service in accordance with the grant agreement.

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

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
Passed Through State Department of Commerce:			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	13586-CDBG-09	\$ 246,880
Total U.S. Department of Housing and Urban Development			<u>246,880</u>
<b>U.S. DEPARTMENT OF INTERIOR</b>			
Direct Grant:			
Payments in Lieu of Taxes	15.226	NA	41,542
Total U.S. Department of Interior			<u>41,542</u>
<b>U.S. DEPARTMENT OF JUSTICE</b>			
Direct Grant:			
Bulletproof Vest Partnership Program	16.607	NA	6,009
Total U.S. Department of Justice			<u>6,009</u>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>			
Passed Through the Oklahoma Department of Public Safety:			
Alcohol Impaired Driving Countermeasures Incentive Grants 1	20.601	NA	7,600
Total U.S. Department of Transportation			<u>7,600</u>
<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	DR-1883	447,651
Emergency Management Performance Grants	97.042	76968	13,813
Total U.S. Department of Homeland Security			<u>461,464</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 763,495</u>

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

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Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of Kiowa 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  
KIOWA COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Kiowa County, Oklahoma, as of and for the year ended June 30, 2011, which comprises Kiowa County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated August 20, 2012. Our report on the basic financial statement was adverse because the statement is not a presentation in conformity with accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Kiowa 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 Kiowa 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. 2011-1, 2011-2, 2011-5

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. 2011-3, 2011-4, 2011-6, 2011-14, 2011-16

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Kiowa County's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of Kiowa County, which is included in Section 4 of the schedule of findings and questioned costs contained in this report.

Kiowa 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 Kiowa 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

August 20, 2012



# Oklahoma State Auditor & Inspector

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

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

TO THE OFFICERS OF  
KIOWA COUNTY, OKLAHOMA

### Compliance

We have audited the compliance of Kiowa 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 Kiowa County's major federal program for the year ended June 30, 2011. Kiowa 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 Kiowa County's management. Our responsibility is to express an opinion on Kiowa 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 Kiowa 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 Kiowa County's compliance with those requirements.

In our opinion, Kiowa County, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2011.

### Internal Control Over Compliance

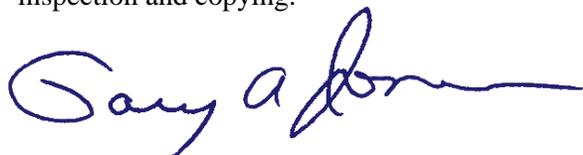
Management of Kiowa County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Kiowa County's internal control over 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 Kiowa County's internal control over compliance.

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2011-10, 2011-11, and 2011-15 to be material weaknesses.

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

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

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

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

August 20, 2012

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

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

Financial Statements

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

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?..... None reported

Federal Awards

Internal control over major programs:

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

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

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

Identification of Major Programs

CFDA Number(s)  
97.036

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

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

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

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

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

**Finding 2011-1—Inadequate County-Wide Internal Controls (Repeat Finding)**

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

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

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

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

Examples of risks and procedures to address risk management:

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

Examples of activities and procedures to address monitoring:

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

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

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

**Management Response:** Kiowa County Officials and dedicated staff want to express their willingness to correct and improve all records and systems within our County. We look forward to future year’s audits. We look forward to the goal of improving our County each year. We all serve the taxpayers of Kiowa County and have an obligation to do it as efficiently and as openly as possible.

**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 of efficient and effective operations, reliable financial reporting, and compliance with laws and regulations.

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

**Finding 2011-2—Lack of Internal Controls over Receipting and Balancing Processes (Repeat Finding)**

**Condition:** Upon inquiry and observation of the receipting and balancing process of the County Treasurer’s office, the following was noted:

The County Treasurer and two full-time deputies work from one cash drawer. While the County Treasurer has implemented some controls, employees that issue receipts also prepare the deposit and/or take the deposit to the bank, as well as balance cash drawers and perform daily bank reconciliations.

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

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**Cause of Condition:** Procedures have not been designed to adequately segregate the duties over the receipting and balancing process within the office of the County Treasurer.

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

**Recommendation:** OSAI recommends management be aware of these conditions and realize that a concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective procedures lie in management's overseeing of office operations and a periodic review of operations. OSAI recommends management provide segregation of duties so that no one employee is able to perform all accounting functions. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating procedures to mitigate the risks involved with a concentration of duties. Compensating procedures would include separating key processes and/or critical functions of the office, and having management review and approve accounting functions.

**Management Response:** With TM Consultants program, we all actually do these reports. In fact once in the computer, the reports will have initials and dates. The only thing the Treasurer will input is the bank information to balance back to what everyone has entered for the day and month. We have a three way proof at all times. The one taking the money, the one making the deposit and the one typing the deposit is different most of the time. Always remember the money put in the computer with initials and dates with TM Consultants cannot be changed after the checks and cash are received. The person making the deposits is also balancing back to the computer. Due to the limited amount of employees, the mail log is impossible; however, we do keep a receipt on everything in this office. The person obtaining the mail is not the only one opening the mail. Other employees open the mail. On segregations of duties, we are doing all we can do with only a limited amount of employees. We always have a three way proof at all times. We do an in-office audit. This keeps us accountable to each other.

**Auditor Response:** The duties regarding the receipting process are not adequately segregated within the County Treasurer's Office.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, the duties of receiving, receipting, recording, depositing cash and checks, reconciliations, and transaction authorization should be segregated.

**Finding 2011-3—Inadequate Internal Control Procedures Over the Apportionment of Sales Tax (Repeat Finding)**

**Condition:** Upon inquiry and observation of the recordkeeping process of apportioning sales tax collections, the following was noted:

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

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- A review of the apportionment process for sales tax distribution is conducted by the Treasurer's first deputy; however, documentation of this review including initialing and dating source information was not maintained by the Treasurer.

**Cause of Condition:** Procedures have not been implemented to document the review of the calculation of sales tax apportionments for accuracy and compliance with the sales tax ballot.

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

**Recommendation:** OSAI recommends an employee recalculate the apportionment of sales tax collections that is presented for appropriation by the County Treasurer to the County Clerk. The employee should initial and date the recalculation. Sales tax collections should be earmarked as approved by the voters of the County.

**Management Response:** I have been the Kiowa County Treasurer for 33 years. This is the first time I have heard of this. This actually is already implemented. The only thing is I do not have this printout initialed and dated. This correction has been made.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. An important aspect of procedures is the safeguarding of assets. Procedures 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 2011-4—Inadequate Internal Control Procedures over Pledged Collateral (Repeat Finding)**

**Condition:** The County Treasurer has not properly designed and implemented procedures related to pledged collateral due to the following:

- The County Treasurer does not monitor pledged collateral amounts to daily bank balances to ensure that County funds are adequately secured.

**Cause of Condition:** Procedures have not been designed to monitor daily bank balances to pledged collateral amounts.

**Effect of Condition:** Failure to monitor pledged collateral amounts could result in unsecured County funds and possible loss of County funds.

**Recommendation:** OSAI recommends that the County Treasurer implement a system of procedures to provide reasonable assurance that County funds are adequately secured.

Further, OSAI recommends the County Treasurer monitor pledged collateral amounts to bank balances on a daily basis to ensure that County funds are adequately secured.

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

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**Management Response:** I have been the Kiowa County Treasurer for 33 years. This is the first time I have heard of this. I do, in fact, check my general ledger and bank statements daily. The only thing there was not a printout with initials or dates. All previous audits said visually.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. An important aspect of procedures is the safeguarding of assets. Procedures 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 2011-5 — Lack of Internal Controls over Payroll Process (Repeat Finding)**

**Condition:** The payroll clerk enters new hires, posts withholdings, maintains personnel files, initiates the payment of payroll, prints payroll, posts to accounting records, and distributes payroll checks.

**Cause of Condition:** Procedures have not been designed to adequately segregate the duties within the payroll department.

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

**Recommendation:** OSAI recommends management be aware of these conditions and 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 procedures to mitigate the risks involved with a concentration of duties. Compensating procedures would include separating key processes and/or critical functions of the office, and having management review and approve accounting functions.

The following key accounting functions of the payroll process should be adequately segregated:

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

**Management Response:** The Kiowa County Clerk's office is inadequately staffed due to funding limitations. We pride ourselves in being cross-trained in all areas. The exception being that we limit access to payroll records, due to stringent privacy issues. In order to fully segregate responsibilities, we would have to have an additional full-time employee. Although I have requested both a full-time and/or a part-time employee be added to our budget, the Board hasn't seen fit to fund the budget request, to date. Presently, the payroll clerk enrolls employees and has primary responsibility of creating and maintaining personnel files. All files are reviewed and overseen by both the County Clerk and payroll clerk. Payroll is created, required changes are made, warrants ran and distributed, and most premium payments are submitted, including the Federal EFT by the payroll clerk.

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However; as a control, the County Clerk is responsible for electronically submitting reports for monthly and state tax withholdings, all quarterly reports for federal withholdings, unemployment, etc..., all annual reporting, including generation of W-2's and 1099's, attending to balancing the direct deposit with payroll and processing any changes made before submitting to bank for payment, and sending employee notifications regarding withholding and option period changes or upgrading. The County Clerk also has monthly supervisory consultation with the payroll clerk, with regard to changes made and steps taken in verifying changes submitted, as well as with regard to new enrollees, terminating employees and benefit changes, all prior to payroll being processed. Most of these tasks require full awareness of employees added and all, but the most minor change is payroll status.

We are currently implementing additional compensating controls to help eliminate clerical error by attempting to redistribute various functions of the payroll process, without making the task too cumbersome. We are taking additional steps to double check input of authorized changes requested, verifying payroll hours for part-time employees and benefit changes, as well as reassigning responsibility of payroll distribution to help prevent any inaccuracy or errors due to human error.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. Procedures 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 2011-6—Segregation of Duties – Official Depository Receipting Process (Repeat Finding)**

**Condition:** Upon inquiry and observation of the receipting and depositing process for each office, the following was noted:

**County Treasurer's Office:** The County Treasurer and two full-time deputies work from one cash drawer, issue official depository receipts, and receive deposits from other officials. One of the employees balances cash and checks to the deposits and prepares the deposit ticket for the official depository bank account.

**County Clerk's Office:** The County Clerk has three deputies that work from the same cash drawer. All three deputies issue receipts and one of the same deputies performs the duties of balancing the cash drawer and preparing the deposit slip. The County Clerk does not maintain a mail log.

**County Assessor's Office:** The County Assessor, two full-time deputies, and one part-time deputy work from one cash drawer and issue receipts. One of the same employees performs the duties of balancing the cash drawer and preparing and delivering the deposit to the County Treasurer. The County Assessor does not maintain a mail log.

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**County Sheriff's Office:** The County Sheriff does not maintain a cash drawer. One full-time employee is responsible for issuing receipts, preparing the deposit, and delivering the deposit to the County Treasurer. The County Sheriff does not maintain a mail log and the employee who receives the mail from the postal service opens the mail and issues receipts for mail-in collections.

**Court Clerk's Office:** The Court Clerk and three full-time employees work from one cash drawer and issue receipts. All of the employees are allowed to balance the cash drawer and prepare the deposit. One of the same employees delivers the deposit to the Treasurer. The Court Clerk does not maintain a mail log and all employees are allowed to open the mail and issue receipts for mail-in collections.

**Cause of Condition:** Procedures have not been designed to adequately segregate the duties of the receipting and depositing process of official depository accounts.

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

**Recommendation:** OSAI recommends management be aware of these conditions and determine how to properly segregate duties. OSAI further recommends implementing compensating procedures to mitigate the risks involved with a concentration of duties. Compensating procedures would include separating key processes and/or critical functions of the office, and having management review and approve the accounting functions.

Further, employees should not all work from the same cash drawer. The duties of issuing receipts, balancing the cash drawer, preparing the daily deposit, and delivering the deposit to the County Treasurer's office, should be performed by separate individuals.

**Management Response:**

**County Treasurer:** We do have a three way proof; computer with date and initials, another person adding checks and cash, and another person typing. The County Treasurer is the one that takes it to the bank.

**County Sheriff:** The Kiowa County Sheriff does not keep a cash drawer and only accepts cashier's checks or money orders. We were unaware receipts needed to be issued. We were advised by previous auditors, we could not keep cash on hand, and therefore, we never implemented a cash drawer. Now we will issue receipts for all cashier's checks and money orders and make all changes according to this audit.

**Court Clerk:** Cash drawer; we don't make change on cash receipts. On money orders and checks, we put the case numbers on the bottom at the time the receipts are made. Any cash received of over \$100 is counted by two employees. Balancing receipts to deposit; we verbally balance with whoever is preparing the deposit, but we will make changes of dating and initialing the receipts beginning May 1, 2012. Delivery of deposit; I will discuss with the Sheriff on having a security person to deliver the deposit to the Treasurer. Mail log; at this moment, we have one person that picks up the mail on a daily basis. We have

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two people at a time that work the mail. On some days the person working the mail could be the same one that picked it up at the post office. All of our mail is processed, entered into the computer, scanned, filed, and copies are returned to the attorney in the same day.

**County Assessor:** Thank you for making us aware of the changes that should be made in the County Assessor's office. On the duties of segregating the balancing of the cash drawer, preparing and delivering the deposit to the County Treasurer and maintaining a mail log. I will take your recommendations under advisement and we will implement your suggested changes as soon as possible.

**County Clerk:** With a policy change on April 18, 2012, I still open the mail, review the documents and present them to one employee for verification. Then another employee or I will be responsible for receipting. If we are not available, a third employee may receipt. Documents received during the day will be receipted by the employee receiving the document. Two of my employees will balance the cash drawer, issue receipts and prepare the recording report. One will take the deposit to the Treasurer.

With the mail handled in the above referenced manner, we have hopefully adequately replaced the need of logging all invoices and statements.

**Auditor Response:** The duties regarding the receipting process are not adequately segregated within the County Treasurer's Office.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, the duties of receiving, receipting, recording, depositing cash and checks, reconciliations, and transaction authorization should be segregated.

**Finding 2011-14—Overpayment of Wages and Benefits to Sheriff's Employee**

**Condition:** An employee of the Sheriff's Office was not timely removed from the payroll process. The employee termination date was 7/31/2010, however, the employee remained on the payroll for an additional three months. The total amount attributed to this employee for those three months, after her resignation, was \$7,850.97. Of the total, \$5,250 was gross salary and \$2,600.97 was matching funds paid by Kiowa County for benefits, including retirement, health insurance, social security, and Medicare.

**Cause of Condition:** The County's policy was not followed and resulted in the overpayment of payroll funds to an employee who had resigned.

**Effect of Condition:** The employee received three months of wages including benefits, for time not worked.

**Recommendation:** OSAI recommends that procedures be implemented as part of the Employee Personnel Policy Handbook, specifically setting forth formal written internal control policies and procedures to ensure adequate documentation of all personnel changes are maintained and filed with the County Clerk's office, with regard to employee termination.

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**Management Response:**

**County Sheriff:** As Kiowa County Sheriff, I called the appropriate office and reported an employee had quit and pay was to be stopped. Undersheriff Mike Strain heard the conversation. This was not accomplished. I will implement procedures to correct this issue to enhance communication between offices. In the future, all written instructions to the Kiowa County Clerk concerning payroll and all other requests from my department will be date and time stamped as requested by auditors.

**Chairman of the Board of County Commissioners:** The County Sheriff called the appropriate office and reported the employee had quit and pay would cease. Undersheriff Mike Strain heard the conversation. Kiowa County, to the best of its ability, will implement procedures to correct this issue.

**County Clerk:** The County Clerk's office did not receive notification that the referenced employee had terminated on July 31, 2010, until the Clerk received a call on November 5, 2010, asking if the employee could be re-hired and if she would have to be enrolled in OPERS. As of that time, we had also not received a request for payment of any vacation time owed or documentation of sick leave, as required for OPERS, which brings most employment changes to our attention.

The County Clerk has a policy requiring that each Officer provide a signed and dated "Officers Payroll Instruction" form outlining and approving any change being made in status of employment of payroll change, prior to changes being made in the Clerk's office. Upon receipt of the payroll directive form, the payroll clerk notes in a designated notebook the changes to be made and their effective date, as well as date of notification.

Although, the Personnel Policy states employees must "report to the Clerk's Office for exit interview..." however, we find less than an estimated ten percent of terminating employees report per year. The Clerk is requesting that the Personnel Policy state that the hiring Officer or Department head be responsible for reminding employees to attend an exit interview in the Clerk's office upon termination.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. An important aspect of internal control procedures is the safeguarding of assets. Internal control procedures 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.

Further, the Employee Personnel Policy Handbook for Kiowa County 2009, which was in effect for this time period, states on page 33,

*"...Upon separation, the employee must report to the Clerk's office for an exit interview and to make arrangements for the final paycheck..."*

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**Finding 2011-16 – Sheriff Miscellaneous Grant Fund**

**Condition:** The general ledger at June 30, 2011, reflects a negative balance for the Sheriff Miscellaneous Grants Cash Fund in the amount of \$684.

**Cause of Condition:** Procedures have not been implemented to provide assurance that a deficit cash balance does not occur when there is a delay in the receipt of available grant funds.

**Effect of Condition:** This condition could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of assets.

**Recommendation:** OSAI recommends County officials establish procedures to provide assurance that a sufficient fund balance exists prior to the issuance of warrants.

**Management Response:**

County Treasurer: These are reimbursable grants. The County Clerk set these accounts up by recommendation of Rick Riffe with the State Auditor's office. However, we are always going to be in the red as of June 30<sup>th</sup>, due to the fact the Grant Fund does not have a lush amount of money. Even if we borrowed from one account to the other, the law states all funds must be back in proper place as of June 30<sup>th</sup>. Correction has been made to set up these accounts under the Sheriff Fee Account, but account for them separately.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. An important aspect of procedures is the safeguarding of assets. Procedures 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.

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

**Finding 2011-10 – Schedule of Expenditures of Federal Awards - FEMA**

**PASS THROUGH GRANTOR:** Oklahoma Department of Emergency Management

**FEDERAL AGENCY:** United States Department of Homeland Security

**CFDA NO:** 97.036

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

**FEDERAL AWARD NUMBER:** 1883

**FEDERAL AWARD YEAR:** 2011

**CONTROL CATEGORY:** Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Period of Availability of Federal Funds; Procurement and Suspension and Debarment; and Special Tests and Provisions

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

**Condition:** The County has not designed and implemented formal procedures for the reporting of its major federal program for Disaster Grants – Public Assistance, as required by OMB Circular A-133.

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

**Effect of Condition:** This condition could result in a misstatement of the Schedule of Expenditures of Federal Awards.

**Recommendation:** OSAI recommends Kiowa County have 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:** Kiowa County has implemented the SEFA Form for 2012. Our records include completed PW files, estimated and actual costs, force account labor, force account equipment, materials, and purchases, work underway and work completed. Environmental Review Documents, completed Special Considerations Questions form, Environmental and/or Historic Alternatives and Hazard Mitigation Opportunities considered, are completed by FEMA and are in each PW file.

**Criteria:** 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.

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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.

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

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

**Finding 2011-11—Inadequate Internal Control Procedures over Major Programs - FEMA**

**PASS THROUGH GRANTOR:** Oklahoma Department of Emergency Management

**FEDERAL AGENCY:** United States Department of Homeland Security

**CFDA NO:** 97.036

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

**FEDERAL AWARD NUMBER:** 1883

**FEDERAL AWARD YEAR:** 2011

**CONTROL CATEGORY:** Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Period of Availability of Federal Funds; and Special Tests and Provisions

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

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

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**Cause of Condition:** Procedures have not been designed to ensure federal expenditures are made in accordance with federal compliance requirements.

**Effect of Condition:** This condition could result in noncompliance with grant requirements and loss of Federal funds to the County.

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

**Management Response:** Kiowa County makes every effort to comply with all federal requirements when accepting FEMA funds. We will continue to strive and fulfill the requirements for internal control over major programs.

**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 provide reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

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

**Finding 2011-15– County-Wide Procedures over Major Programs - FEMA**

**PASS THROUGH GRANTOR:** Oklahoma Department of Emergency Management

**FEDERAL AGENCY:** United States Department of Homeland Security

**CFDA NO:** 97.036

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

**FEDERAL AWARD NUMBER:** 1883

**FEDERAL AWARD YEAR:** 2011

**CONTROL CATEGORY:** Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Period of Availability of Federal Funds; and Special Tests and Provisions

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

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

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

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**Effect of Condition:** This condition could result in noncompliance with grant requirements and loss of Federal funds to the County.

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

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

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

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

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

**Management Response:** Kiowa County makes every effort to comply with all federal requirements when accepting FEMA funds. We will continue to strive and fulfill the requirements for internal control over major programs.

**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.

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

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.

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

**Finding 2011-8—Inadequate Controls over Inmate Trust Fund Checking Account (Repeat Finding)**

**Condition:** Upon inquiry and observation of records, the following weaknesses in the internal control procedures over the inmate trust checking account were noted:

- One individual is responsible for opening the mail, issuing receipts, preparing deposit slips, depositing with the financial institution, preparing checks, signing checks, and posting all transactions to inmate records.
- Receipts are not issued for all monies received with regard to inmate trust funds.
- Transactions for the receipts of inmate trust funds are not posted to inmate records using the Tiger Commissary System on a timely basis. These transactions are performed on a weekly basis rather than at the time money is received.
- Two deposits posted on the Tiger System report entitled, “All Deposits,” totaling \$1,038.80, could not be traced to the Inmate Trust checking account bank statement.
- Inmate trust funds are not deposited into the Inmate Trust Fund Checking Account on a daily basis.
- The Inmate Trust Fund Checking Account has not been reconciled to inmate records since the establishment of said account on March 25, 2009.
- During the time period July 1, 2010 to June 30, 2011, the County Sheriff did not disburse funds for earned fees on sale of commissary goods to the Sheriff Commissary Account.

**Cause of Condition:** The County Sheriff’s office has not designed and implemented internal control procedures over the Inmate Trust Fund Checking Account to ensure collections are properly receipted and deposited.

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

**Recommendation:** OSAI recommends management be aware of these conditions and realize that a concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. Management should provide segregation of duties so that no one employee is able to perform all accounting functions. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating procedures to mitigate the risks involved with a concentration of duties. Compensating procedures would include separating key processes and/or critical functions of the office, and having management review and approval of accounting functions.

Further, OSAI recommends receipts be issued for all monies received and funds be deposited on a daily basis in accordance with 28 O.S. § 9 and 19 O.S. § 682.

OSAI also recommends that the County Sheriff reconcile the Inmate Trust Fund Checking Account on a monthly basis and pay all fees due to the Sheriff Commissary Account and to Tiger Commissary either on a weekly or monthly basis. Also, Tiger Commissary should be paid using a purchase order in accordance with 19 O.S. §1501 through §1505.

**Management Response:** This was our first complete audit concerning the commissary. We were told by Tiger Commissary to do the commissary one way and now according to this audit, changes need to be made. We are now attempting to comply with the auditor's request.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, the duties of receiving, receipting, recording, depositing cash and checks, reconciliations, and transaction authorization should be segregated.

**Finding 2011-7—Establishment of Sheriff Commissary Account (Repeat Finding)**

**Condition:** The Sheriff Commissary Account was established by the County Clerk and County Treasurer as a sub-account of the Sheriff Service Fee Account cash fund.

**Cause of Condition:** Procedures have not been designed to comply with state statutes, which require the Sheriff to establish a Sheriff Commissary Account as a separate cash fund.

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

**Recommendation:** OSAI recommends the Sheriff Commissary Account be established as a separate cash fund apart from the Sheriff Service Fee Account in accordance with 19 O.S. §514.2.

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**Management Response:**

**County Treasurer:** The account was set up by the County Clerk and the Treasurer had to set this up accordingly.

**County Sheriff:** This was our first complete audit concerning the commissary. We were told by Tiger Commissary to do the commissary one way and now according to this audit, changes need to be made. We are now attempting to comply with the auditor's request.

**County Clerk:** The County Clerk established the commissary account at the request of the Sheriff's department. At that time, we were unaware that the account should be set up in an individual fund, rather than a sub-account under Sheriff Service Fee. On April 26, 2012, the Board approved Resolution 2012-15, establishing the Sheriff Commissary Revolving Fund and approving a transfer of existing funds from the sub-account in the Sheriff Service Fee Fund.

**Criteria:** Title 19 O.S. § 514.2 states:

There is hereby created a cash account to be known as the "Sheriff's Commissary Account".  
Monies from the account shall be expended by the Sheriff as authorized in Section 180.43 of  
Title 19 of the Oklahoma Statutes.



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