

COUNTY AUDIT

LEFLORE COUNTY

For the fiscal year ended June 30, 2009



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



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

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

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Oklahoma State Auditor & Inspector

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May 4, 2011

TO THE CITIZENS OF
LeFLORE COUNTY, OKLAHOMA

Transmitted herewith is the audit of LeFlore County, Oklahoma for the fiscal year ended June 30, 2009. A report of this type is critical in nature; however, we do not intend to imply that our audit failed to disclose commendable features in the present accounting and operating procedures of the County.

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

The Office of the State Auditor and Inspector is committed to serving the public interest by providing independent oversight and by issuing reports that serve as a management tool to the State to ensure a government which is accountable to the people of the State of Oklahoma.

Sincerely,

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

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

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

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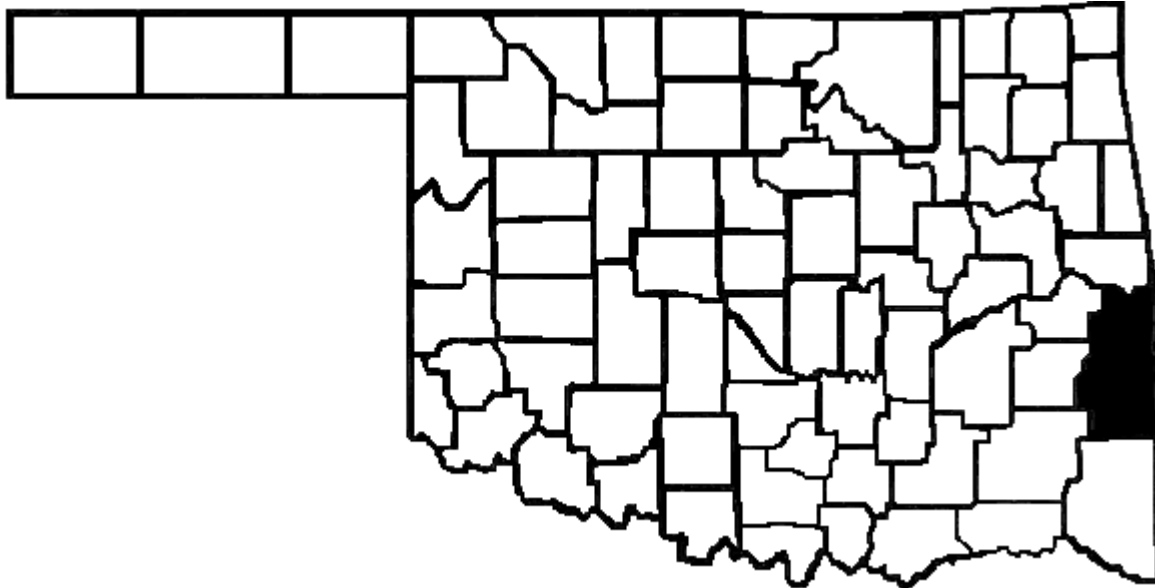
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**REPORT TO THE CITIZENS
OF
LeFLORE COUNTY, OKLAHOMA**



Once part of the Choctaw Nation, Indian Territory, LeFlore County is diverse in its topography. With rugged hills, narrow valleys and productive farmland, there is a gentle blending of modern days and old ways. Many of the towns were established as a result of railroad expansion.

Within its borders there are two hospitals, seven libraries, a two-year college, three vocational schools, five newspapers, a veteran's center, and numerous clinics. Manufacturing produces such items as refrigerator parts, instrument panels, crackers, and cattle feed. Carl Albert State College offers courses to more than 2,000 full and part-time students annually.

Poteau, the county seat, was home to late Senator Robert S. Kerr. Tourism is an important aspect of the LeFlore County economy. The Heavener Runestone and Spiro Mounds are well-known historic sites, as are stops on the old Butterfield Trail. Hailed as the first transcontinental link between East and West, several stops are still found in the northern part of the county. The Ouachita National Forest, including the Talimena Scenic Drive, dominates the southern half of the county. Annual events include the Cavanal Fall Festival and Auto Show in October near Poteau. For more information, call the county clerk's office at (918) 647-5738.

County Seat – Poteau

Area – 1,608.03 Square Miles

County Population – 50,079
(2007 est.)

Farms – 2,043

Land in Farms – 466,406 Acres

Primary Source: Oklahoma Almanac 2009-2010

See independent auditor's report.

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

COUNTY ASSESSOR

Tim Trent

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

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

COUNTY CLERK

Alan Vickers - July 2008 – Oct. 2008

Kelli Ford - Oct. 2008- June 2009

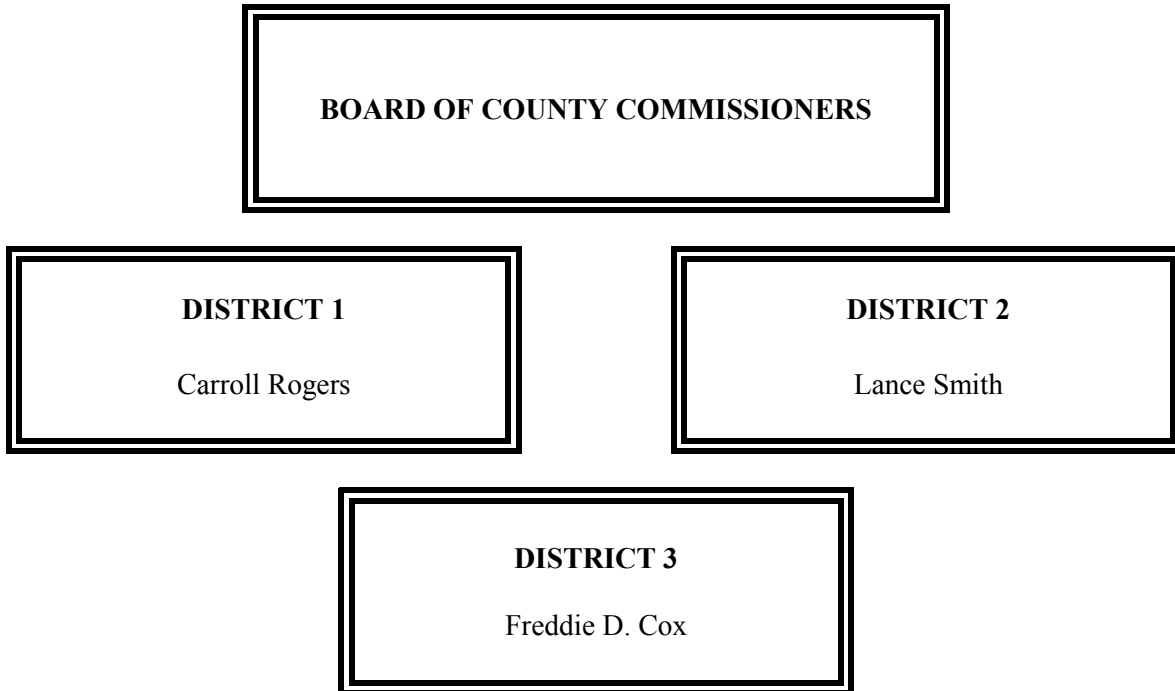
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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

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

See independent auditor's report.

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



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

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

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

See independent auditor's report.

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

COUNTY SHERIFF
Robert Campbell - July 2008 - Dec. 2009
Bruce Curnutt - Jan 2009- June 2009

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

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

COUNTY TREASURER

Joe Wiles

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

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

See independent auditor's report.

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

COURT CLERK

Melba Hall

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

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

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

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

DISTRICT ATTORNEY

Jeff Smith

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

See independent auditor's report.

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

ELECTION BOARD SECRETARY

Phillip Zearley

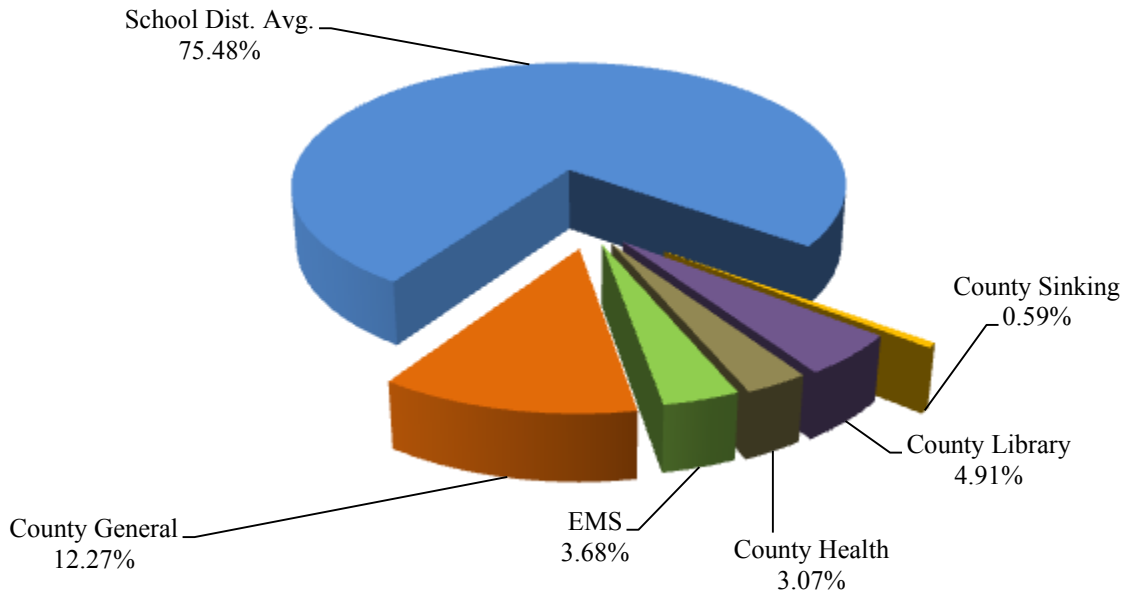
The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the county. The Board also conducts all elections held within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

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

See independent auditor's report.

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

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



County-Wide Millages		School District Millages							Total
				Gen.	Bldg.	Skg.	Career Tech	Common	
County General	10.00								
County Health	2.50	Spiro	I-2	35.00	5.00	14.63	12.00	4.00	70.63
EMS	3.00	Heavener	I-3	35.00	5.00	11.37	12.00	4.00	67.37
Library	4.00	Shady Point	C-4	35.00	5.00	5.09	12.00	4.00	61.09
County Sinking	0.48	Pocola	I-7	35.00	5.00	3.83	12.00	4.00	59.83
		Monroe	C-11	35.00	5.00		12.00	4.00	56.00
		Hodgen	C-14	35.00	5.00	5.74	12.00	4.00	61.74
		LeFlore	I-16	35.00	5.00		12.00	4.00	56.00
		Cameron	I-17	35.00	5.00		12.00	4.00	56.00
		Panama	I-20	35.00	5.00	4.76	12.00	4.00	60.76
		Bokeshe	I-26	35.00	5.00		12.00	4.00	56.00
		Poteau	I-29	35.00	5.00	8.81	12.00	4.00	64.81
		Fanshawe	C-39	35.00	5.00		12.00	4.00	56.00
		Wister	I-49	35.00	5.00	14.58	12.00	4.00	70.58
		Talihina	I-52	35.00	5.00	6.02	12.00	4.00	62.02
		Whitesboro	I-62	35.00	5.00		12.00	4.00	56.00
		Howe	I-67	35.00	5.00	19.24	12.00	4.00	75.24
		Arkoma	I-91	35.00	5.00		12.00	4.00	56.00
		Red Oak	JT-2	35.00	5.00	10.81	12.00	4.00	66.81
		Smithville	JT-14	35.00	5.00		12.00	4.00	56.00
		McCurtain	JT-37	35.00	5.00	5.87	12.00	4.00	61.87
		Keota	JT-43	35.00	5.00	4.64	12.00	4.00	60.64

See independent auditor's report.

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

Total net assessed value as of January 1, 2008		<u>\$ 207,756,032</u>
Debt limit - 5% of total assessed value		10,387,802
Total bonds outstanding	-	
Total judgments outstanding	162,710	
Less cash in sinking fund	<u>105,796</u>	<u>56,914</u>
Legal debt margin		<u>\$ 10,330,888</u>

See independent auditor's report.

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

	2009
Estimated population	50,079
Net assessed value as of January 1, 2008	\$ 207,756,032
Gross bonded debt	-
Less available sinking fund cash balance	105,796
Net bonded debt	\$ -
Ratio of net bonded debt to assessed value	0.00%
Net bonded debt per capita	\$ -

See independent auditor's report.

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

Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2008	\$51,243,539	\$28,392,299	\$141,213,079	\$13,092,885	\$207,756,032	\$1,878,661,523

See independent auditor's report.

FINANCIAL SECTION



Oklahoma State Auditor & Inspector

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Independent Auditor's Report

TO THE OFFICERS OF
LeFLORE COUNTY, OKLAHOMA

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 2, 2011, on our consideration of LeFlore County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

May 2, 2011

OTHER SUPPLEMENTARY INFORMATION

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

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed Through the Oklahoma State Treasurer:			
Secure Payments to States and Counties Containing Federal Land	10.665		\$ 710,812
Total U.S. Department of Agriculture			<u>710,812</u>
<u>U.S. DEPARTMENT OF DEFENSE</u>			
Passed Through the Oklahoma State Treasurer:			
Payments to States in Lieu of Real Estate Taxes	12.112	PILT-FC	20,832
Total U.S. Department Defense			<u>20,832</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Passed Through the Oklahoma State Department of Commerce:			
Community Development Block Grant/States program and Non-Entitlement Grants in Hawaii	14.228	12014-05	43,649
Community Development Block Grant/States program and Non-Entitlement Grants in Hawaii	14.228	12687-07	62,528
Total U.S. Department of Housing and Urban Development			<u>106,177</u>
<u>U.S. DEPARTMENT OF INTERIOR</u>			
Direct Grant::			
Payments in Lieu of Taxes	15.226	PILT	116,101
Total U.S. Department of Interior			<u>116,101</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Passed Through the Bureau of Indian Affairs:			
Highway Planning and Construction - Long Creek Bridge	20.205		601,446
Total U.S. Department of Transportation			<u>601,446</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Passed Through the Oklahoma Emergency Management:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		21,795
Emergency Management Performance Grants	97.042		15,000
Total U.S. Department of Interior			<u>36,795</u>
Total Expenditures of Federal Awards			<u>\$ 1,592,163</u>

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

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

Summary of Significant Accounting Policies

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

A. Reporting Entity

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

B. Basis of Presentation

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

See independent auditor's report.

INTERNAL CONTROL AND COMPLIANCE SECTION



Oklahoma State Auditor & Inspector

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

TO THE OFFICERS OF
LeFLORE COUNTY, OKLAHOMA

We were engaged to audit the financial statements of LeFlore County, Oklahoma, as of and for the year ended June 30, 2009, and have issued our report thereon dated May 2, 2011. We did not express an opinion on the financial statements because the County did not prepare financial statements in accordance with accounting principles generally accepted in the United States of America. We were engaged to conduct our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency in internal control described in the accompanying schedule of findings and questioned costs to be a material weakness in internal control over financial reporting. 2009-1

Compliance and Other Matters

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

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

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

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

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

May 2, 2011



Oklahoma State Auditor & Inspector

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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
LeFLORE COUNTY, OKLAHOMA

Compliance

We have audited the compliance of LeFlore 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 each of LeFlore County's major federal programs for the year ended June 30, 2009. LeFlore County's major federal programs are 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 each of its major federal programs is the responsibility of LeFlore County's management. Our responsibility is to express an opinion on LeFlore 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 LeFlore 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 LeFlore County's compliance with those requirements.

As described in items 2009-4 and 2009-5, in the accompanying schedule of findings and questioned costs, LeFlore County did not comply with requirements regarding Activities Allowed, Allowable Cost, and Procurement that are applicable to its Secure Payments to States and Counties Containing Federal Land Program. LeFlore County did not comply with requirements regarding Procurement that are applicable to its Highway Planning and Construction Program. Compliance with such requirements is necessary, in our opinion, for LeFlore County to comply with the requirements applicable to these programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the County, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

Management of LeFlore 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 LeFlore 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 LeFlore 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 2009-2 and 2009-3 to be material weaknesses.

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

LeFlore 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 LeFlore 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.



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

May 2, 2011

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

SECTION 1—Summary of Auditor’s Results

Financial Statements

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

Internal control over financial reporting:

- Material weakness(es) identified?..... Yes
- Significant deficiency(ies) identified that are not considered to be material weaknesses? None Reported

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

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?..... Yes
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? None reported

Type of auditor's report issued on compliance for major programs: Qualified Opinion

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

Identification of Major Programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.665	Secure Payments to States and Counties Containing Federal Lands
20.205	Highway Planning and Construction

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

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

**LeFLORE COUNTY, OKLAHOMA
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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 2009-1—Financial Statements

Criteria: For counties who have adopted the County Budget Act per 19 O.S. § 1403, 19 O.S. § 1405 which states in part:

The accounting records of each county shall be established and maintained and financial statements prepared therefrom in conformity with generally accepted accounting principles promulgated from time to time by authoritative bodies in the United States...

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

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

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

Views of responsible officials and planned corrective actions: Leflore County, to the best of its ability, will correct this issue.

SECTION 3—Findings related to the 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.

REF NO: 2009-2

COUNTY: LeFlore

FEDERAL AGENCY: United States Department of Agriculture

CFDA NO: 10.665

FEDERAL PROGRAM NAME: Secure Payments to States and Counties Containing Federal Land

FEDERAL AWARD YEAR: 2009

CONTROL CATEGORY: Activities Allowed, Allowable Costs, Cash Management, and Procurement

QUESTIONED COSTS: \$-0-

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

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

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

Condition: During the process of documenting the County's internal controls regarding federal disbursements, we noted that LeFlore County has not established internal controls to ensure compliance with the following compliance requirements: Activities Allowed, Allowable Costs, Cash Management, and Procurement. Furthermore, the County has incorrectly identified Title I funds as Title III funds.

Effect: The condition could result in noncompliance to grant requirements.

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

Views of responsible officials and planned corrective actions: LeFlore County, to the best of its ability, will implement procedures to correct this issue.

REF NO: 2009-3

COUNTY: LeFlore

FEDERAL AGENCY: United States Department of Transportation

CFDA NO: 20.205

FEDERAL PROGRAM NAME: Highway Planning and Construction

FEDERAL AWARD YEAR: 2009

CONTROL CATEGORY: Activities Allowed, Allowable Costs, Cash Management, Davis Bacon and Procurement

QUESTIONED COSTS: \$-0-

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

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

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

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Condition: During the process of documenting the County's internal controls regarding federal disbursements, we noted that LeFlore County has not established internal controls to ensure compliance with the following compliance requirements: Activities Allowed, Allowable Costs, Cash Management, Davis Bacon, and Procurement.

Effect: The condition could result in noncompliance to grant requirements.

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

Views of responsible officials and planned corrective actions: LeFlore County, to the best of its ability, will implement procedures to correct this issue.

REF NO: 2009-4

COUNTY: LeFlore

FEDERAL AGENCY: United States Department of Agriculture

CFDA NO: 10.665

FEDERAL PROGRAM NAME: Secure Payments to States and Counties containing Federal Land

FEDERAL AWARD YEAR: 2009

CONTROL CATEGORY: Activities Allowed, Allowable Costs, and Procurement

QUESTIONED COSTS: \$301,027.03

Criteria: A-133 Compliance Supplement guidelines for Procurement states:

Local governments and Indian tribal governments which are not sub recipients of states will use their own procurement procedures provided that they conform to applicable federal law and regulations and standards in the A-102 Common Rule.

County purchasing procedures are determined by state statute. Title 19 O.S. § 1505 prescribes the procedures for requisitioning, purchase and receipt of supplies, material and equipment.

Condition: While performing the expenditure testwork, the following exceptions were noted:

- Twenty-eight (28) of the seventy-six (76) expenditures tested were not timely encumbered.
- Thirteen (13) of the seventy-six (76) expenditures tested were not for activities allowed.
- Thirteen (13) of the seventy-six (76) expenditures tested were not allowable costs.
- One (1) of the seventy-six (76) expenditures tested was not bid or had received phone quotes.

Effect: This would result in the County being in noncompliance with Federal grant requirements and misappropriation of grant funds.

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

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Views of responsible officials and planned corrective actions: LeFlore County was acting under the verbal guidance of Bill Pell, Director of National Forest Service in Hot Springs, Arkansas, regarding all federal expenditures made from this federal program. LeFlore County, to the best of its ability, will implement procedures to correct this issue.

REF NO: 2009-5

COUNTY: LeFlore

FEDERAL AGENCY: United States Department of Transportation

CFDA NO: 20.205

FEDERAL PROGRAM NAME: Highway Planning and Construction

FEDERAL AWARD YEAR: 2009

CONTROL CATEGORY: Procurement

QUESTIONED COSTS: \$601,445.90

Criteria: A-133 Compliance Supplement guidelines for Procurement states:

Local governments and Indian tribal governments which are not sub recipients of states will use their own procurement procedures provided that they conform to applicable federal law and regulations and standards in the A-102 Common Rule.

County purchasing procedures are determined by state statute. Title 19 O.S. § 1505 prescribes the procedures for requisitioning, purchase and receipt of supplies, material and equipment.

Condition: 100 % of the expenditures were tested and the following exceptions were noted:

- Five (5) of the five (5) expenditures tested were not timely encumbered.

Effect: This would result in the County being in noncompliance with Federal grant requirements and misappropriation of grant funds.

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

Views of responsible officials and planned corrective actions: LeFlore County, to the best of its ability, will implement procedures to correct this issue.

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SECTION 4—This section contains certain matters not required to be reported in accordance with *Government Auditing Standards* or OMB A-133. However, we believe these matters are significant enough to bring to management’s attention. We recommend that management consider these matters and take appropriate corrective action.

Finding 2009-6- Interest Earned on Federal Grants

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

Maintain internal controls over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have material effect on each of its Federal programs.” In addition, 16 USC 500 § 402.b outlines the treatment of funds and revenues for Federal Forestry receipts, states in part, “All revenues generated from projects pursuant to Title II, any funds remitted by counties pursuant to section 102 (d) (1) (B) (iii) or section 102 (c) (1) (B) (iii), and any interest accrued from such funds shall be deposited in the Treasury of the United States.

Condition: LeFlore County does not maintain a ledger for interest earned on Federal grants funds (Secure Payments to States and Counties Containing Federal Land Program and Highway Planning and Construction Program.) The County earned approximately \$617.71 on these funds during the fiscal year ending June 30, 2009. The interest earned on the funds was apportioned to other funds and not deposited with the Treasury of the United States.

Effect: This could result in noncompliance to federal program requirements.

Recommendation: OSAI recommends that the County implement internal controls for the oversight of interest earned on federal grant monies. OSAI also recommends the County remit interest earned on Federal grant monies to the Treasury of the United States.

Views of responsible officials and planned corrective actions: LeFlore County, to the best of its ability, will implement procedures to correct this issue.

Finding 2009-7—Timely Encumbrance

Criteria: Title 19 O.S. § 1504.A states in part:

A receiving officer shall receive all supplies, materials and equipment purchased, lease purchased or rented by his department and shall identify such items received in a manner prescribed by the county road and bridge inventory officer or board of county commissioners or designee. The receiving office shall also maintain a record of all supplies, materials, and equipment received, disbursed, stored, and consumed by his department.

Title 19 O.S. § 1505.C. 2. states in part:

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Provides that encumbrances be made prior to the ordering or the receiving of goods and services.

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

A receiving officer for the requisitioning department shall be responsible for the receiving of all items delivered to that department. Upon delivery of an item, the receiving officer shall determine if a purchase order exists for the item being delivered. If no such purchase order has been provided, the receiving officer shall refuse delivery of the item.

Condition: District 1 has outstanding invoices from 19 different vendors for the fiscal year ending 6/30/2005 to the current fiscal year, totaling \$168,073.97 in which receiving reports were not prepared and purchase orders were not encumbered.

Effect: This condition results in the County having misstated financial reports and unrecorded transactions. This condition could result in judgments being levied against the county.

Recommendation: OSAI recommends that District 1 encumber purchase orders prior to ordering or receiving goods and services in accordance with state statutes.

Views of responsible officials and planned corrective actions: LeFlore County, to the best of its ability, has implemented procedures to correct this issue.

Finding 2009-8—Public Notice

Criteria: Title 62 § 310.4 states in part:

All unencumbered balances, in any, as shown by the officer charged with keeping the appropriation and expenditure records of the county, city, or town on hand at the close of day June 30, may remain as credit for the said fiscal year up to the close of day September 30, next. Said officer charged with keeping the appropriation and expenditure records of the county, city, or town shall at any time during the month of July advertise in a newspaper of general circulation in the county and shall cause to be published for two (2) consecutive times if in a daily newspaper and once if in a weekly newspaper, public notice. Provided this act shall not be so construed to allow incurring of a new indebtedness after June 30 chargeable to the appropriation account of the immediately preceding fiscal year.

Condition: The County did not advertise in a newspaper of general circulation, the public notice required by state statute.

Effect: This condition could result in the County incurring indebtedness without proper reserves to pay the claims.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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Recommendation: OSAI recommends that the County advertise in a newspaper of general circulation, the public notice as required by state statute 62 O.S. § 310.4

Views of responsible officials and planned corrective actions: This issue will be corrected. LeFlore County will publish the public notice as required.

Finding 2009-9—Fixed Assets

Criteria: Title 19 O.S. § 178.1 states in part:

The board of county commissioners in each county of this state shall take, or cause to be taken, an inventory of all working tools, apparatus, machinery and equipment belonging to the county or leased or otherwise let to it or to any department thereof, other than that which is affixed to and made a part of lands and buildings, the cost of which as to each complete working unit thereof is more than Five Hundred Dollars (\$500.00), and thereafter maintain or cause to be maintained a continuous inventory record thereof and of like tools, apparatus, machinery and equipment purchased, leased or otherwise coming into the custody of the county or of any office, board, department, commission or any or either thereof, and the disposition thereof whether sold, exchanged, leased or let where authorized by statute, junked, strayed or stolen, and biennially thereafter, or oftener...

Condition: Purchase Order # 4663 was requisitioned by District 1 Commissioner Carroll Rogers. This purchase order was approved by the BOCC for the purchase of the following equipment:

<u>Description</u>	<u>Serial number</u>	<u>County ID Number</u>
6000W Generator	77440062	417-002

However, the generator could not be located. The receiving report and invoice contained signatures of two different District 1 employees. These employees stated that the signatures on the invoice and the receiving report were NOT their signatures and they had no knowledge of this generator being purchased, or its current location.

Effect: This condition resulted in the loss of county-owned assets.

Recommendation: OSAI recommends a complete and accurate list of inventory in use and owned by the offices be maintained. OSAI recommends that the County investigate the disposition of the unlocated equipment and forged invoice and receiving report.

Views of responsible officials and planned corrective actions: This occurred under prior administration. Current administration has implemented procedures to correct this issue.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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Finding 2009-10—Farm Plan Charge Account Card

Criteria: Title 19 O.S. § 1500-1505 states the procedures that shall be used by counties for the requisition, purchase, lease-purchase, rental, and receipt of supplies, materials, and equipment for the maintenance, operation, and capital expenditures of county government.

Condition: It was noted that District 1 purchased equipment using a Farm Plan Charge Account Card, and the purchase order was issued to the credit card company and not the vendor whom the supplies and equipment were purchased from.

Effect: This condition could result in misstated financial records and misappropriation of assets.

Recommendation: OSAI recommends that all expenditures be encumbered prior to making purchases, and that the County encumbers and issues purchase orders to vendors whom supplies and equipment are purchased from. OSAI further recommends that the County discontinue the use of purchasing supplies and equipment with credit cards, and that the purchase of these supplies and equipment be made in accordance with state statutes.

Views of responsible officials and planned corrective actions: This issue has been corrected. The County no longer uses the Farm Plan Charge Account Card.

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Finding 2008-2

Pass-Through Grantor: Oklahoma State Treasurer

Federal Agency: United States Department of Agriculture

CFDA No.: 10.665

Federal Program Name: Schools and Roads – Grants to States

Federal Award Year: 2008

Control Category: Activities Allowed, Allowable Costs, Cash Management, Earmarking, and Procurement

Questioned Costs: \$-0-

Condition: During the process of documenting the County's internal controls regarding federal disbursements, we noted that LeFlore County has not established internal controls to ensure compliance with the following compliance requirements: Activities Allowed, Allowable Costs, Cash Management, Earmarking, and Procurement.

Effect: This condition resulted in misappropriation of grant funds.

Corrective Action Plan: No corrective action was taken. A similar finding was noted for the fiscal year ended June 30, 2009.

Finding 2008-3

Pass-Through Grantor: Oklahoma State Treasurer

Federal Agency: United States Department of Agriculture

CFDA No.: 10.665

Federal Program Name: Schools and Roads – Grants to States

Federal Award Year: 2008

Control Category: Activities Allowed, Allowable Costs

Questioned Costs: \$230,829

Condition: The County expended National Forest Receipts for road projects located on federal land and equipment for emergency purposes. These were not allowable expenditures of the program and we question \$230,829 of these costs.

Effect: This condition resulted in misappropriation of grant funds.

Corrective Action Plan: The County has elected to no longer receive Title III funds. No corrective action was taken on the exceptions noted with Title I funds. A similar finding was noted for the fiscal year ended June 30, 2009.



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