

COUNTY AUDIT

LEFLORE COUNTY

For the fiscal year ended June 30, 2013



*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, 2013**

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Oklahoma State Auditor & Inspector

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

January 9, 2015

TO THE CITIZENS OF
LeFLORE COUNTY, OKLAHOMA

Transmitted herewith is the audit of Leflore County, Oklahoma for the fiscal year ended June 30, 2013. The audit was conducted in accordance with 19 O.S. § 171.

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

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

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

Sincerely,

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

**LeFLORE COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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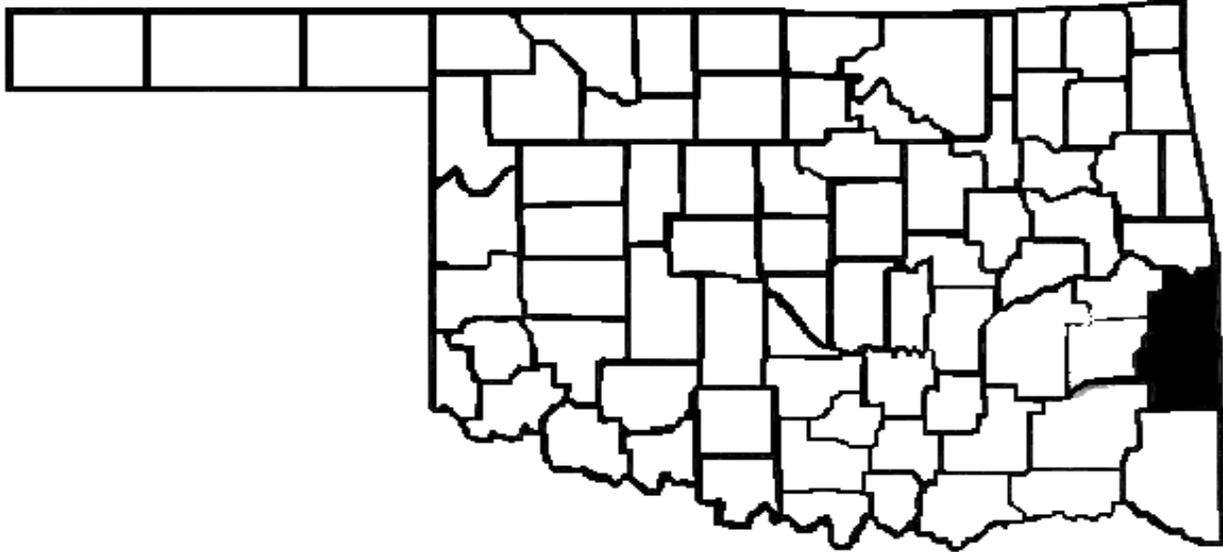
**LeFLORE COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**LeFLORE COUNTY, OKLAHOMA
STATISTICAL INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**



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 Cavanel 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 – 49,873
(2012 est.)

Farms – 2,043
(2007 est.)

Land in Farms – 466,406 Acres

Primary Source: Oklahoma Almanac 2013-2014

**LeFLORE COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Board of County Commissioners

District 1 – Derwin Gist
District 2 – Lance Smith
District 3 – Ceb Scott

County Assessor

Tim Trent

County Clerk

Kelli Ford

County Sheriff

Rob Seale

County Treasurer

Joe Wiles

Court Clerk

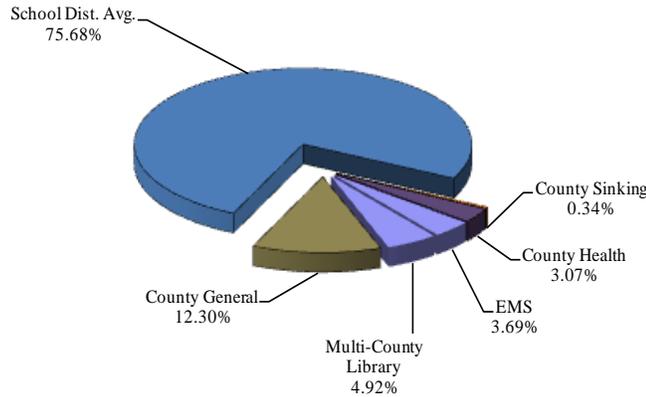
Melba Hall

District Attorney

Jeff Smith

**LeFLORE COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

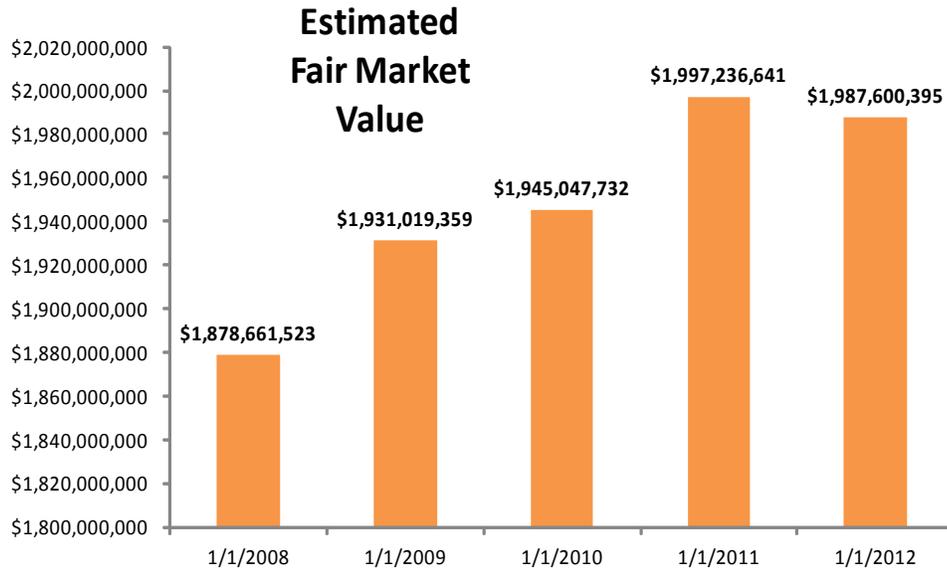
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the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



County-Wide Millages		School District Millages						
			Gen.	Bldg.	Skd.	Career Tech	Common	Total
County General	10.29							
County Health	2.57	Spiro I-2	35.96	5.14	9.58	12.35	4.12	67.15
County Sinking	0.28	Heavener I-3	35.84	5.12	12.27	12.35	4.12	69.70
EMS	3.09	Shady Point C-4	36.11	5.16	5.95	12.35	4.12	63.69
Multi-County Library	4.12	Pocola I-7	35.81	5.12	6.06	12.35	4.12	63.46
		Monroe C-11	36.73	5.25	15.71	12.35	4.12	74.16
		Hodgen C-14	36.65	5.24	-	12.35	4.12	58.36
		LeFlore I-16	36.69	5.24	14.07	12.35	4.12	72.47
		Cameron I-17	36.74	5.25	-	12.35	4.12	58.46
		Panama I-20	35.83	5.12	-	12.35	4.12	57.42
		Bokoshe I-26	36.37	5.20	-	12.35	4.12	58.04
		Poteau I-29	35.85	5.12	9.40	12.35	4.12	66.84
		Fanshawe C-39	36.40	5.20	-	12.35	4.12	58.07
		Wister I-49	36.52	5.22	7.60	12.35	4.12	65.81
		Talihina I-52	35.93	5.13	-	12.35	4.12	57.53
		Whitesboro I-62	36.38	5.20	-	12.35	4.12	58.05
		Howe I-67	36.35	5.19	13.11	12.35	4.12	71.12
		Arkoma I-91	35.87	5.12	-	12.35	4.12	57.46
		Red Oak JT-2	35.09	5.01	10.14	12.35	4.12	66.71
		Smithville JT-14	35.52	5.07	2.86	12.35	4.12	59.92
McCurtain JT-37	37.07	5.30	-	12.35	4.12	58.84		
Cowlington-Keota JT-43	36.94	5.28	7.93	12.35	4.12	66.62		

**LeFLORE COUNTY, OKLAHOMA
 ASSESSED VALUE OF PROPERTY
 TREND ANALYSIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

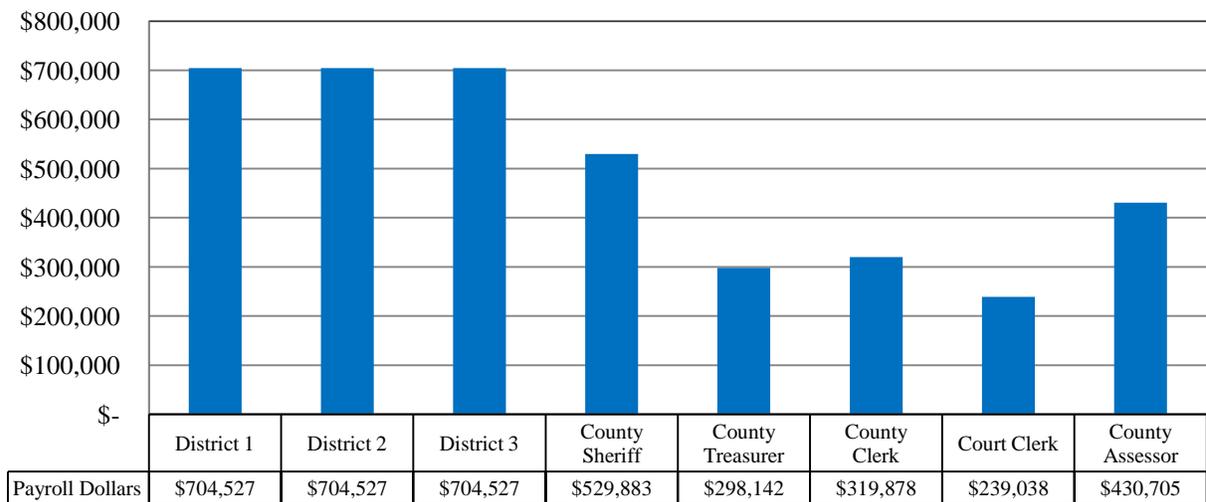
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2012	\$45,127,793	\$31,177,609	\$157,919,446	\$13,710,068	\$220,514,780	\$1,987,600,395
1/1/2011	\$49,192,655	\$31,815,109	\$154,595,821	\$13,539,814	\$222,063,771	\$1,997,236,641
1/1/2010	\$48,337,938	\$29,379,197	\$150,927,714	\$13,284,437	\$215,360,412	\$1,945,047,732
1/1/2009	\$51,753,489	\$29,308,879	\$146,004,201	\$13,265,788	\$213,800,781	\$1,931,019,359
1/1/2008	\$51,243,539	\$28,392,299	\$141,213,079	\$13,092,885	\$207,756,032	\$1,878,661,523



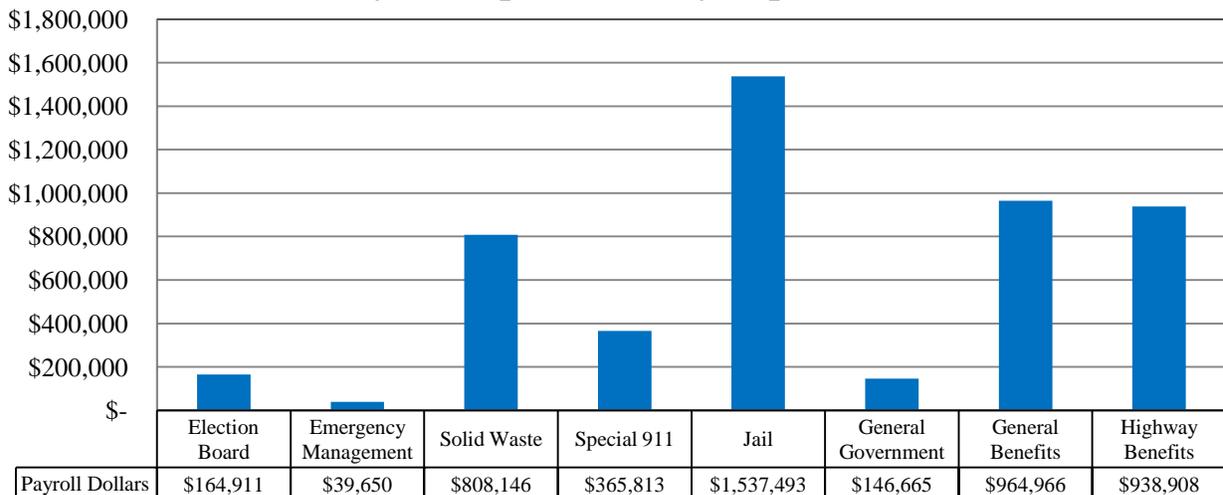
**LeFLORE COUNTY, OKLAHOMA
COUNTY PAYROLL EXPENDITURES ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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, 2013.

Payroll Expenditures by Department



Payroll Expenditures by Department



**LeFLORE COUNTY, OKLAHOMA
COUNTY GENERAL FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

County General Fund

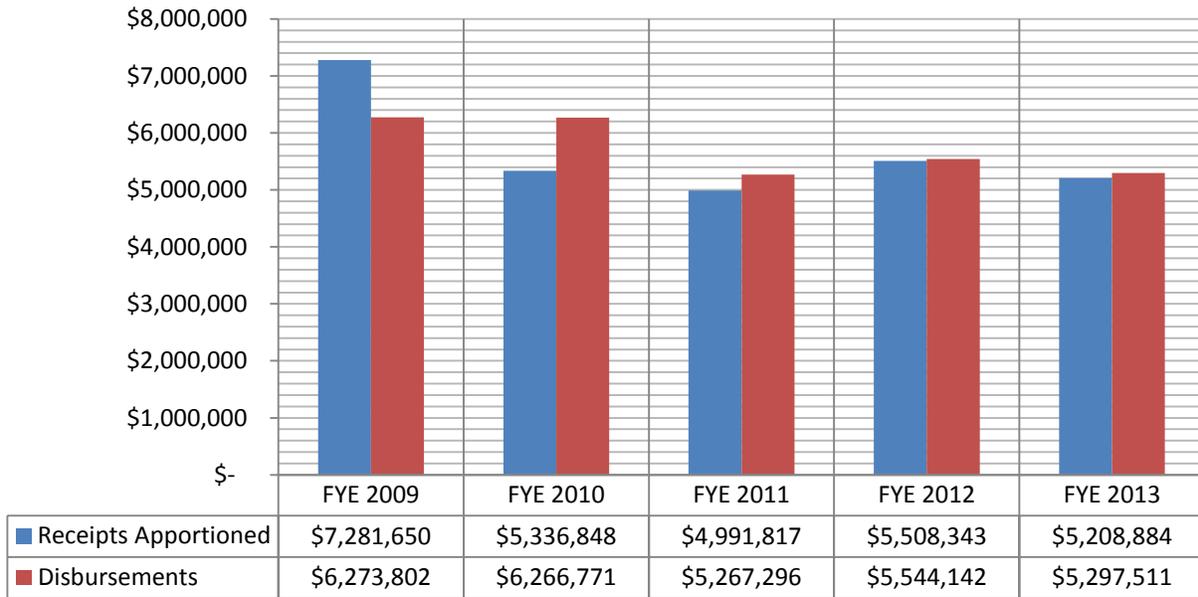
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also 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.



**LeFLORE COUNTY, OKLAHOMA
COUNTY HIGHWAY FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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
LEFLORE COUNTY, OKLAHOMA

Report on the Financial Statement

We have audited the combined total—all county funds on the accompanying regulatory basis Statement of Receipts, Disbursements, and Changes in Cash Balances of Leflore County, Oklahoma, as of and for the year ended June 30, 2013, listed in the table of contents as the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the regulatory basis of accounting described in Note 1, and for determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by Leflore County using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Leflore County as of June 30, 2013, or changes in its financial position for the year then ended.

Opinion on Regulatory Basis of Accounting

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 Leflore County, for the year ended June 30, 2013, on the basis of accounting described in Note 1.

Other Matters

Other Information

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, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the remaining Other Supplementary Information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statement.

The Schedule of Expenditures of Federal Awards and the Other Supplementary Information, as listed in the table of contents, is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and the Other Supplementary Information, as listed in the table of contents, 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 subjected to the auditing procedures applied in the audit of the financial statement, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2015, 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 in considering Leflore County's internal control over financial reporting and compliance.



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

January 8, 2015

REGULATORY BASIS FINANCIAL STATEMENT

LeFLORE 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, 2013

	Beginning Cash Balances July 1, 2012	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2013
Combining Information:						
Major Funds:						
General Fund	\$ 470,700	\$ 3,557,867	\$ -	\$ 2,292	\$ 3,482,278	\$ 543,997
Highway Cash	1,793,097	5,208,884	377,599	-	5,297,511	2,082,069
County Health	1,220,416	719,669	-	-	1,403,173	536,912
Resale Property	217,588	343,149	-	-	280,751	279,986
Solid Waste	908,730	2,034,566	-	-	2,113,350	829,946
Special 911 Account	76,480	574,517	-	-	588,160	62,837
Jail Bond Account	323,081	1,617,207	-	117,000	1,459,178	364,110
Jail Fund	3,763	825,058	731,394	-	1,551,207	9,008
County Bridge Road Fund 105	2,686,118	981,155	-	377,599	1,174,013	2,115,661
County Sinking	67,308	61,564	-	-	87,198	41,674
Remaining Aggregate Funds	1,137,170	1,361,187	2,000	-	1,248,183	1,252,174
Combined Total - All County Funds	\$ 8,904,451	\$ 17,284,823	\$ 1,110,993	\$ 496,891	\$ 18,685,002	\$ 8,118,374

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

**LeFLORE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

1. Summary of Significant Accounting Policies

A. Reporting Entity

LeFlore County is a subdivision of the State of Oklahoma created by the Oklahoma Constitution and regulated by Oklahoma Statutes.

The accompanying financial statement presents the receipts, disbursements, and changes in cash balances of the total of all funds under the control of the primary government. The general fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund, where its use is restricted for a specified purpose. Other funds established by statute and under the control of the primary government are also presented.

The County Treasurer collects and remits material amounts of intergovernmental revenues and ad valorem tax revenue for other budgetary entities, including emergency medical districts, libraries, school districts, and cities and towns. The cash receipts and disbursements attributable to those other entities do not appear in funds on the County's financial statement; those funds play no part in the County's operations. Any trust or agency funds maintained by the County are not included in this presentation.

B. Fund Accounting

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

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

General Fund – accounts for revenues from ad valorem taxes, officers' fees, interest earnings, and miscellaneous collections of the County. Disbursements are for the general operations of the County.

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

County Health – accounts for monies collected on behalf of the County Health Department from ad valorem taxes, state and local revenues. Disbursements are for the operation of the County Health Department.

Resale Property – accounts for revenues from interest and penalties on delinquent ad valorem tax collections. Disbursements are to offset the expense of collecting delinquent ad valorem taxes.

**LeFLORE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Solid Waste – accounts for revenues from a county sales tax. Disbursements are for the operation of the solid waste system.

Special 911 Account – accounts for revenues from the collection of fees charged on telephone bills from the County’s Emergency 911 services. Disbursements are for the operations of emergency 911 services.

Jail Bond Account – accounts for revenues from a county sales tax. Disbursements are for the acquisition, remodel, construction, financing, furnishing and equipping of a county jail and criminal justice facility and courthouse renovation and annex, parking lots, streets and other capital facilities, including OSU extension service offices, county election board offices, and public meeting rooms in Leflore County, including design, construction, capital improvements, expenses, operations, equipment, fixtures and furnishings.

Jail Fund – accounts for revenues from a county sales tax. Disbursements are for the maintenance and operations of jail facility.

County Bridge Road Fund 105 – accounts for revenues from state receipts and disbursements are for the purpose of maintaining bridges and roads.

County Sinking – accounts for revenues from the collection of ad valorem taxes and interest earned for the payment of principal and interest of long term bonded debt and civil judgments against Leflore County.

C. Basis of Accounting

The financial statement is prepared on a basis of accounting wherein amounts are recognized when received or disbursed. This basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred. This regulatory basis financial presentation is not a comprehensive measure of economic condition or changes therein.

Title 19 O.S. § 171 specifies the format and presentation for Oklahoma counties to present their financial statement in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) or on a regulatory basis. The County has elected to present their financial statement on a regulatory basis in conformity with Title 19 O.S. § 171. County governments (primary only) are required to present their financial statements on a fund basis format with, at a minimum, the general fund and all other county funds, which represent ten percent or greater of total county revenue. All other funds included in the audit shall be presented in the aggregate in a combining statement.

**LeFLORE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

D. Budget

Under current Oklahoma Statutes, a general fund and a county health department fund are the only funds required to adopt a formal budget. On or before May 31 of each year, each officer or department head submits an estimate of needs (budget) to the governing body. The budget is approved for the respective fund by office, or department and object. Within weeks, the County Budget Board may approve changes of appropriations within the fund by office or department and object.

E. Cash and Investments

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

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

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

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

2. Ad Valorem Tax

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

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

LeFLORE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

3. Other Information

A. Pension Plan

Plan Description. The County contributes to the Oklahoma Public Employees Retirement Plan (the Plan), a cost-sharing, multiple-employer defined benefit pension plan administered by the Oklahoma Public Employees Retirement System (OPERS). Benefit provisions are established and amended by the Oklahoma Legislature. The Plan provides retirement, disability, and death benefits to Plan members and beneficiaries. Title 74, Sections 901 through 943, as amended, establishes the provisions of the Plan. OPERS issues a publicly available financial report that includes financial statements and supplementary information. That report may be obtained by writing OPERS, P.O. Box 53007, Oklahoma City, Oklahoma 73105 or by calling 1-800-733-9008.

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

B. Other Post Employment Benefits (OPEB)

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

C. Contingent Liabilities

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

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

**LeFLORE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

D. Long Term Obligations

1. Judgments

The County has judgments which are being retired by a tax levy. The County is obligated to pay the judgments over a three-year period. During the fiscal year June 30, 2013, the County disbursed \$87,198 which included \$78,686 principal and \$8,512 interest.

<u>Case Number</u>	<u>Original Judgment</u>
CJ-2011-60	\$5,945
CS-2011-168	\$4,984
CJ-2011-46	\$42,769
CV-2011-21	\$7,166
CJ-2011-45	\$81,794
CS-2011-104	\$8,558
CS-2011-67	\$3,511
CS-2011-37	\$3,832
CS-2011-90	\$4,162
CS-2011-68	\$4,961
SC-2011-182	\$1,963
SC-2012-29	\$596
CJ-2006-629	\$95,000

Future principal and interest payments that will become due on the existing judgments are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$31,667	\$ 4,725	\$ 36,392
2015	31,667	4,725	36,392
2016	<u>31,666</u>	<u>4,725</u>	<u>36,391</u>
	<u>\$95,000</u>	<u>\$14,175</u>	<u>\$109,175</u>

E. Sales Tax

The voters of LeFlore County approved a one-half of one percent ½% sales tax effective February 1993. This sales tax is permanent. The sales tax was established to provide revenue for solid waste purposes only. These funds are accounted for in the Solid Waste fund.

On August 12, 2003, the voters of LeFlore County approved a three-quarters of one percent (¾%) sales tax to be used by the LeFlore County Public Buildings Authority for the acquisition, remodel, construction, financing, furnishing, and equipping of a county jail and criminal justice facility, and courthouse renovation and annex, parking lots, streets and other capital facilities,

**LeFLORE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

including OSU Extension Service offices and public meeting rooms. Of this sales tax ¼% is permanent and is to be used for the continuing maintenance and operation of the facility. The remaining ½% is to be terminated after 20 years or at the date of retirement of any debt incurred related thereto, whichever occurs earlier. These funds are accounted for in the Jail Bond Account and Jail Fund.

On July 27, 2010, the voters of Leflore County approved a one-quarter of one percent (¼%) permanent sales tax to be used for the purpose of providing funding for fire departments in the following communities: Arkoma, Big Cedar, Bokoshe, Cowlington, Fanshawe, Ft. Coffee, Haw Creek, Heavener, Hodgen, Hogeys, Honobia, Howe, Latham Dog Creek, LeFlore, Monroe, Murray Spur, Octavia, Panama, Pocola, Post Mountain, Poteau, Reichert, Shady Point, Spiro, Summerfield, Talihina, Whitesboro, Wister, or other hereinafter established, for such fire protection as may be deemed necessary by the Board of County Commissioners. These funds are accounted for in funds named after each of the fire departments listed above.

F. Interfund Transfers

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

- \$377,599 was transferred from County Bridge Road Fund 105 into Highway Cash for the reimbursement of expenditures on bridge and road projects.
- \$2,292 was transferred from County General; \$2,000 went to into Sheriff Service Fee for travel and \$292 into the Jail Fund to meet the needs in the accounts.
- \$117,000 was transferred from the Jail Bond Account; \$74,000 went into the Jail Fund account and \$43,000 went into the Jail Department of Corrections (a trust and agency fund) for payroll expenditures.
- \$657,102 was transferred from the Jail Department of Corrections account (a trust and agency fund) into Jail Fund, for payroll expenditures and to meet the needs of the account.

OTHER SUPPLEMENTARY INFORMATION

LeFLORE 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, 2013

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 470,700	\$ 470,700	\$ -
Less: Prior Year Outstanding Warrants	(26,561)	(26,561)	-
Less: Prior Year Encumbrances	(32,372)	(23,934)	8,438
Beginning Cash Balances, Budgetary Basis	<u>411,767</u>	<u>420,205</u>	<u>8,438</u>
Receipts:			
Ad Valorem Taxes	2,062,816	2,157,776	94,960
Charges for Services	178,295	215,031	36,736
Intergovernmental Revenues	1,049,185	1,004,620	(44,565)
Miscellaneous Revenues	181,812	180,440	(1,372)
Total Receipts, Budgetary Basis	<u>3,472,108</u>	<u>3,557,867</u>	<u>85,759</u>
Expenditures:			
County Sheriff	511,286	511,198	88
County Treasurer	129,090	127,170	1,920
County Commissioners	100,969	100,894	75
County Commissioners-OSU Extension	90,802	29,571	61,231
County Clerk	329,892	329,892	-
Court Clerk	265,435	243,838	21,597
County Assessor	241,699	210,055	31,644
Revaluation of Real Property	327,020	312,869	14,151
General Government	1,543,950	1,367,730	176,220
Excise-Equalization Board	5,000	3,824	1,176
County Election Expense	195,661	192,906	2,755
Charity	4,500	2,000	2,500
Civil Defense/Emergency Management	66,093	64,582	1,511
County Audit Budget	62,478	-	62,478
Provisions for Interest of Warrants	10,000	5,165	4,835
Total Expenditures, Budgetary Basis	<u>3,883,875</u>	<u>3,501,694</u>	<u>382,181</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	476,378	<u>\$ 476,378</u>
Operating Transfers		(2,292)	
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		29,432	
Add: Current Year Encumbrances		40,479	
Ending Cash Balance		<u>\$ 543,997</u>	

**LeFLORE 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, 2013**

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 1,220,416	\$ 1,220,416	\$ -
Less: Prior Year Outstanding Warrants	(40,608)	(40,608)	-
Less: Prior Year Encumbrances	(2,561)	(1,841)	720
Beginning Cash Balances, Budgetary Basis	1,177,247	1,177,967	720
Receipts:			
Ad Valorem Taxes	515,203	564,657	49,454
Charges for Service	155,012	152,019	(2,993)
Miscellaneous Revenues	-	2,993	2,993
Total Receipts, Budgetary Basis	670,215	719,669	49,454
Expenditures:			
Health and Welfare	1,847,462	1,652,268	195,194
Total Expenditures, Budgetary Basis	1,847,462	1,652,268	195,194
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	245,368	\$ 245,368
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		71,550	
Add: Current Year Outstanding Warrants		219,994	
Ending Cash Balance		\$ 536,912	

LeFLORE COUNTY, OKLAHOMA
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS—
REMAINING AGGREGATE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Beginning					Ending
	Cash Balances July 1, 2012	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Cash Balances June 30, 2013
Remaining Aggregate Funds:						
Assessor Revolving Fund	\$ 13,923	\$ 4,076	\$ -	\$ -	\$ 3,583	\$ 14,416
County Clerk Lien Fee	32,712	15,030	-	-	21,559	26,183
FEMA	139,200	66,924	-	-	49,633	156,491
Juvenile Detention	1,896	(1,896)	-	-	-	-
LeFlore County Flood Plain	1,040	6,145	-	-	4,972	2,213
Mortgage Tax Certification Fee	13,881	8,035	-	-	7,062	14,854
Records, Maintenance & Preservation Cash Fund	54,598	50,017	-	-	52,494	52,121
Sheriff Corps Engineers Cash	13,476	13,656	-	-	20,465	6,667
Sheriff Department of Corrections	7	-	-	-	-	7
Sheriff Service Fee	92,841	254,620	2,000	-	271,683	77,778
County Reward Fund	1,710	300	-	-	-	2,010
County Bridge Road Fund 103	147,998	-	-	-	-	147,998
EMPG SLA #4	4,847	-	-	-	4,630	217
Hazard Mitigation	-	17,250	-	-	17,250	-
11-K5023-FAN	12,680	-	-	-	12,680	-
12-REAP K6023	-	22,790	-	-	22,790	-
12-REAP K6024	-	243	-	-	243	-
12-REAP K6025	-	27,074	-	-	27,074	-
12-REAP K6026	-	27,074	-	-	27,074	-
12-REAP K7019	-	35,000	-	-	35,000	-
Sheriff Training Program	2,553	-	-	-	-	2,553
Sheriff K-9	24	-	-	-	-	24
Sheriff Inmate	1,708	-	-	-	1,708	-
DOC Community Sentencing	17,995	1,061	-	-	662	18,394
LEPC	-	18,383	-	-	16,013	2,370
Arkoma Fire Department	13,073	28,408	-	-	10,652	30,829
Big Cedar Fire Department	14,569	28,408	-	-	19,239	23,738
Bokoshe Fire Department	30,108	28,408	-	-	42,525	15,991
Cowlington Fire Department	30,353	28,408	-	-	40,757	18,004
Fanshawe Fire Department	20,220	28,408	-	-	13,668	34,960
Ft. Coffee Fire Department	24,740	28,408	-	-	7,487	45,661
Haw Creek Rural Fire Department	8,340	28,408	-	-	25,509	11,239
Heavener Fire Department	27,180	28,408	-	-	22,469	33,119
Hodgen Rural Fire Department	8,203	28,408	-	-	22,733	13,878
Hogeye Fire Department	6,252	28,407	-	-	23,168	11,491

Continued on next page

LeFLORE COUNTY, OKLAHOMA
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS—
REMAINING AGGREGATE FUNDS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Beginning					Ending
	Cash Balances July 1, 2012	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Cash Balances June 30, 2013
Continued from previous page						
Remaining Aggregate Funds:						
Honobia Fire Department	31,317	28,407	-	-	-	59,724
Howe Fire Department	30,667	28,407	-	-	26,388	32,686
Latham Dog Creek Fire Department	28,147	28,407	-	-	16,468	40,086
LeFlore Fire Department	11,159	28,407	-	-	27,506	12,060
Monroe Fire Department	22,181	28,407	-	-	45,120	5,468
Murray Spur Fire Department	6,295	28,407	-	-	24,431	10,271
Octavia Fire Department	27,470	28,407	-	-	23,095	32,782
Panama Fire Department	31,317	28,407	-	-	14,471	45,253
Pocola Fire Department	31,317	28,407	-	-	-	59,724
Post Mountain Fire Department	16,699	28,407	-	-	27,923	17,183
Poteau Fire Department	20,931	28,407	-	-	22,390	26,948
Reichert Fire Department	17,614	28,407	-	-	33,956	12,065
Shady Point Fire Department	31,316	28,407	-	-	28,110	31,613
Spiro Fire Department	26,909	28,407	-	-	21,008	34,308
Summerfield Fire Department	26,884	28,407	-	-	40,820	14,471
Talihina Fire Department	22,457	28,407	-	-	24,395	26,469
Whitesboro Fire Department	9,482	28,407	-	-	16,878	21,011
Wister Fire Department	8,881	28,407	-	-	30,442	6,846
Combined Total - Remaining Aggregate Funds	\$ 1,137,170	\$ 1,361,187	\$ 2,000	\$ -	\$ 1,248,183	\$ 1,252,174

**LeFLORE COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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:

Assessor Revolving Fund – accounts for revenues from collection of fees for copies. Disbursements are restricted by state statute.

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

FEMA – accounts for revenues from the collection of state and federal public assistance grants. Disbursements are restricted by grant requirements.

Juvenile Detention – accounts for revenues from reimbursements from the State of Oklahoma. Disbursements are for attendant care and transportation of juveniles.

LeFlore County Flood Plain – accounts for revenues from fees collected from inspections and assessments of flood plain areas. Disbursements are for the general operations of the emergency management office.

Mortgage Tax Certification Fee – accounts for revenues from a fee for certifying mortgages. Disbursements are for any lawful expense of the Treasurer's office.

Records, Maintenance & Preservation Cash Fund – accounts for revenues from a fee charged by the County Clerk for recording instruments. Disbursements are for the maintenance and preservation of public records.

**LeFLORE COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Sheriff Corps Engineers Cash – accounts for revenues from the Corp of Engineers for the purpose of supplying additional lake patrol.

Sheriff Department of Corrections – accounts for revenues from the State of Oklahoma for the boarding and feeding of Department of Corrections’ prisoners.

Sheriff Service Fee – accounts for revenues from fees charged by the Sheriff for services. Disbursements are for any lawful expense of the Sheriff’s office.

County Reward Fund – accounts for revenues from state and county penalties collected for littering. Disbursements are restricted to be used for litter prevention.

County Bridge Road Fund 103 – accounts for revenues from state receipts and disbursements are for the purpose of maintaining bridges.

EMPG SLA #4 – accounts for revenues from federal grant. Disbursements are restricted by grant requirements.

Hazard Mitigation – accounts for revenues from collection of federal grant monies. Disbursements are restricted by grant requirements.

11-K5023-FAN – accounts for revenues from state REAP (Rural Economic Action Plan) funds. Disbursements are for the purchase of bunker gear at Fanshawe Fire Department.

12-REAP K6023 – accounts for revenues from state REAP funds. Disbursements are for the construction of Summerfield Fire Department building addition.

12-REAP K6024 – accounts for revenues from state REAP funds. Disbursements are for road improvements on Rawson Ridge, Panola, and Boyd Roads.

12-REAP K6025 – accounts for revenues from state REAP funds. Disbursements are for road improvements on Nail Creek Road.

12-REAP K6026 – accounts for revenues from state REAP funds. Disbursements are for road improvements on Highline Road.

12-REAP K7019 – accounts for revenues from state REAP funds. Disbursements are for the purchase of firefighting equipment for Monroe Fire Department.

Sheriff Training Program – accounts for revenues from confiscated monies. Disbursements are used for training purposes.

Sheriff K-9 – revenues are from donations. Disbursements are for expenses related to canine fleet.

**LeFLORE COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Sheriff Inmate – accounts for revenues from the collection of funds for commissary items. Disbursements are restricted by state statute.

DOC Community Sentencing – accounts for revenues from local fees collected. Disbursements are for the operation of the community sentencing program.

LEPC – accounts for revenues from federal and state grants for hazard materials preparedness. Disbursements are restricted by grant requirements.

Arkoma Fire Department – accounts for the sales tax collections received for operating and maintaining the fire district.

Big Cedar Fire Department – accounts for the sales tax collections received for operating and maintaining the fire district.

Bokoshe Fire Department – accounts for the sales tax collections received for operating and maintaining the fire district.

Cowlington Fire Department – accounts for the sales tax collections received for operating and maintaining the fire district.

Fanshawe Fire Department – accounts for the sales tax collections received for operating and maintaining the fire district.

Ft. Coffee Fire Department – accounts for the sales tax collections received for operating and maintaining the fire district.

Haw Creek Rural Fire Department – accounts for the sales tax collections received for operating and maintaining the fire district.

Heavener Fire Department – accounts for the sales tax collections received for operating and maintaining the fire district.

Hodgen Rural Fire Department – accounts for the sales tax collections received for operating and maintaining the fire district.

Hogeye Fire Department – accounts for the sales tax collections received for operating and maintaining the fire district.

Honobia Fire Department – accounts for the sales tax collections received for operating and maintaining the fire district.

Howe Fire Department – accounts for the sales tax collections received for operating and maintaining the fire district.

**LeFLORE COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Latham Dog Creek Fire Department – accounts for the sales tax collections received for operating and maintaining the fire district.

LeFlore Fire Department – accounts for the sales tax collections received for operating and maintaining the fire district.

Monroe Fire Department – accounts for the sales tax collections received for operating and maintaining the fire district.

Murray Spur Fire Department – accounts for the sales tax collections received for operating and maintaining the various fire districts.

Octavia Fire Department – accounts for the sales tax collections received for operating and maintaining the fire district.

Panama Fire Department – accounts for the sales tax collections received for operating and maintaining the fire district.

Pocola Fire Department – accounts for the sales tax collections received for operating and maintaining the fire district.

Post Mountain Fire Department – accounts for the sales tax collections received for operating and maintaining the fire district.

Poteau Fire Department – accounts for the sales tax collections received for operating and maintaining the various fire districts.

Reichert Fire Department – accounts for the sales tax collections received for operating and maintaining the fire district.

Shady Point Fire Department – accounts for the sales tax collections received for operating and maintaining the fire district.

Spiro Fire Department – accounts for the sales tax collections received for operating and maintaining the fire district.

Summerfield Fire Department – accounts for the sales tax collections received for operating and maintaining the fire district.

Talihina Fire Department – accounts for the sales tax collections received for operating and maintaining the fire district.

Whitesboro Fire Department – accounts for the sales tax collections received for operating and maintaining the fire district.

**LeFLORE COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Wister Fire Department – accounts for the sales tax collections received for operating and maintaining the fire district.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**LeFLORE COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through Oklahoma State Treasurer:			
Schools and Roads - Grants to States	10.665		\$ 900,957
Total U.S. Department of Agriculture			<u>900,957</u>
U.S. DEPARTMENT OF DEPARTMENT OF DEFENSE			
Direct Grant:			
Payment to States in Lieu of Real Estate Taxes	12.112		21,362
Total U.S. Department of Defense			<u>21,362</u>
U.S. DEPARTMENT OF INTERIOR			
Direct Grant:			
Payment in Lieu of Taxes	15.226		166,913
Total U.S. Department of Interior			<u>166,913</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed Through the Oklahoma Department of Emergency Management:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR1988	3,690
Hazard Mitigation Grant	97.039		17,250
Emergency Management Performance Grants	97.042		18,284
Citizens-Community Resilience Innovation Challenge	97.053		16,438
Total U.S. Department of Homeland Security			<u>55,662</u>
Total Expenditures of Federal Awards			<u>\$ 1,144,894</u>

**LeFLORE COUNTY, OKLAHOMA
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of LeFlore 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

Independent Auditor's 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 have audited, in accordance with the 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, the combined total—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of LeFlore County, Oklahoma, as of and for the year ended June 30, 2013, which comprises LeFlore County's financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated January 8, 2015.

Our report included an adverse opinion on the financial statement because the statement is prepared using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County for the year ended June 30, 2013, on the basis of accounting prescribed by Oklahoma state law, described in Note 1.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered LeFlore County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of LeFlore County's internal control. Accordingly, we do not express an opinion on the effectiveness of LeFlore County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and 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 described in the accompanying schedule of findings and questioned costs to be material weaknesses: 2013-1, 2013-3, 2013-4, 2013-7, 2013-8, 2013-9, and 2013-40.

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 described in the accompanying schedule of findings and questioned costs to be significant deficiencies: 2013-2, 2013-6, 2013-10, 2013-12, 2013-15, 2013-34, and 2013-39.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether LeFlore County's financial statement is free from 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 regarding statutory compliance that we reported to the management of LeFlore County, which are included in Section four of the schedule of findings and questioned costs contained in this report.

LeFlore County's Responses to Findings

LeFlore County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. LeFlore County's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

January 8, 2015



Oklahoma State Auditor & Inspector

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

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

TO THE OFFICERS OF
LeFLORE COUNTY, OKLAHOMA

Report on Compliance for Each Major Program

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 LeFlore County's major federal program for the year ended June 30, 2013. LeFlore County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of LeFlore County's management.

Auditor's Responsibility

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.

Opinion on Each Major Federal Program

In our opinion, LeFlore 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, 2013.

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 2013-26 and 2013-27 to be material weaknesses.

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

January 8, 2015

**LeFLORE COUNTY, OKLAHOMA
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SECTION 1—Summary of Auditor’s Results

Financial Statements

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

Internal control over financial reporting:

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

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

Federal Awards

Internal control over major programs:

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

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.665	Schools and Roads - Grants to States

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

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

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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 2013-1 - Inadequate County-Wide Controls (Repeat Finding)

Condition: County-wide controls regarding Risk Assessment, Information and Communication, and Monitoring have not been designed.

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

Effect of Condition: These conditions could result in unrecorded transactions, undetected errors, or misappropriation of funds. Further, these conditions could also result in the loss of data, the unreliability of data, and increase the risk that the County may not recover in an emergency situation and/or disaster.

Recommendation: The Oklahoma State Auditor & Inspector's Office (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.

Further, each office using an information system should prepare and frequently update a Disaster Recovery Plan in order to maintain operations in the event of an emergency situation and/or disaster. It is also recommended that the County-Wide Disaster Recovery Plan also include contacts such as officers, employees, software used, and software vendor information.

Management Response:

Chairman, Board of County Commissioners: We will design a written policy and procedures in regards to internal control of plans, procedures, assets, etc. of LeFlore County. We will use the recommendations provided by OSAI to design these internal controls. We will communicate with each county office to ensure the internal controls are implemented and a Disaster Recovery Plan is in place.

County Treasurer: I have spoken with County Clerk and we are going to be put on the Budget Board Agenda to discuss this matter with the other elected officials, to ensure that we have a system in place regarding Risk Management and Monitoring for the County as a whole.

County Clerk: I will speak with the budget board about having a budget board time on the agenda quarterly regarding any concerns regarding risk per office, per elected official. This should eliminate any foreseen problems or concerns that need addressed. Each meeting is recorded as well as written minutes taken. At the Budget Board's meeting in January 2014, I will address the Board about having a written risk assessment policy in place in our County's policy and procedure handbook

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

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financial reporting and compliance with laws and regulations are being met. 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, Information and Communication, and Monitoring for the achievement of these goals.

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

Information and Communication is a component of internal control which should provide for a county to run and control its operations. A county must have relevant, reliable information, both financial and nonfinancial. The information should be recorded and communicated to management and other within the county who need it and in a form and within a time frame that enables them to carry out their internal control and operational responsibilities. In addition, the county needs to make sure that the forms of communication are broad-based and that information technology management assures useful, reliable, and continuous communications

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 2013-2 - Inadequate Internal Controls Over Information Systems Security – County Treasurer and County Clerk (Repeat Finding)

Condition: Upon review of the computer systems within the County Treasurer’s and County Clerk’s, offices, it was noted that there does not appear to be adequate controls in place to safeguard data from unauthorized modification, loss, or disclosure. The following was noted:

- Policies and procedures have not been designed to address the expectations and responsibilities of county employees in the information technology (IT) function.
- The County’s computers and software system does not require the employee to use a password of at least eight characters in length and does not prompt employees to change passwords every 90 days.

Cause of Condition: Policies and procedures have not been developed to ensure IT controls are properly designed and implemented.

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Effect of Condition: Without the existence of sufficient IT controls, instances could arise where employees are performing tasks outside of the scope of their employment, including logging in and performing transactions under another user, and altering and deleting transactions.

Recommendation: OSAI recommends management be aware of and provide oversight for the various control risks presented in the IT systems used by their office. This includes having setup password requirements for length, character, and an expiration of a minimum of at least every 90 days and designing adequate procedures to safeguard data from unauthorized modification, loss, or disclosure.

Furthermore, OSAI recommends designing and implementing policies and procedures to safeguard against the various IT risks facing the County office. Once these policies and procedures are implemented, they should be monitored regularly for any additional weakness that might need to be addressed.

Management Response:

County Treasurer: The vendor's software system does not require passwords to be a certain length or include characters. Each employee does have their own password that enables them to be logged into the system. It is also the procedure of employees when not at their work station to be logged out of the system so that their computer is not compromised by anyone. I will monitor and ensure that passwords will be changed regularly.

County Clerk: As of November 2013, our office has implemented new passwords for each employee that will expire every 90 days. The employees in bookkeeping or purchasing will be required to log out of their computers each time they leave their desk. This will keep the risk of having their computers compromised by anyone. This will be monitored regularly to make sure there is no other weakness in our IT controls.

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 met. Internal control comprises the plans, methods, and procedures used to meet missions, goals, and objectives. The IT system, if utilized properly, can serve as a safeguard in preventing and detecting errors and fraud. Further, management is responsible for monitoring all IT programs and components utilized by their office.

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Finding 2013-3 - Inadequate Internal Controls Over Information Systems – County Treasurer (Repeat Finding)

Condition: The County Treasurer’s office does not have mitigating controls to reduce the high risk associated with the lack of adequate controls within the County’s financial/bookkeeping software.

Cause of Condition: The County Treasurer was not aware of the lack of adequate internal controls within the software.

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

Recommendation: OSAI recommends the Treasurer implement mitigating controls regarding the County’s financial/bookkeeping software, such as maintain all receipts and daily totals/reports in a secure location with limited access. In addition, OSAI recommends software updates be implemented upon availability.

Management Response:

County Treasurer: We have contacted our software provider and notified them of this finding to resolve this matter.

Criteria: According to the standards of the Information Systems Audit and Control Association (CobiT, Deliver and Support DS5), the need to maintain the integrity of information and protect IT assets requires a security management process. This process includes establishing and maintaining IT security roles and responsibilities, policies, standards, and procedures. Security management also includes performing security monitoring and periodic testing and implementing corrective actions for identified security weaknesses or incidents. Effective security management protects all IT assets to minimize the business impact of security vulnerabilities and incidents.

Finding 2013-4 – Inadequate Segregation of Duties Over Receipting and Balancing Processes – Treasurer’s Office (Repeat Finding)

Condition: Upon inquiry and observation of the Treasurer’s office receipting process, we noted that one employee receives monies, issues receipts, recounts all cash and checks and verifies against the receipt verification report, endorses all checks, prepares the deposit, prepares depository vouchers, approves depository vouchers, and performs the reconciliations of the office records. Furthermore, we noted that one employee issues trust receipts, deposits trust receipts, issues trust vouchers, and approves trust vouchers. It was also noted that a mail log is not prepared and maintained.

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.

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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. The most effective procedures lie in management's oversight 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 approval of accounting functions.

Management Response:

County Treasurer: It has been noted and we are taking the steps to ensure that a more defined segregation of duties for employees is in place.

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 2013-6 - Inadequate Internal Controls and Noncompliance Over Apportionment and Disbursement of County Sales Tax (Repeat Finding)

Condition: Upon inquiry, observation, and testing of the County sales tax apportionments, we noted \$13,200 in fiscal year 2013 was not apportioned according to the sales tax ballots, but was apportioned to the County Clerk lien fee fund and County General for fees charged to entities for distributing their funds.

We also noted several transfers for expenditures from restricted sales tax funds that were not in accordance with sales tax ballots.

Cause of Condition: Policies and procedures have not been designed to ensure accountability and stewardship over sales tax funds.

Effect of Condition: These conditions resulted in noncompliance with state statute. These conditions further resulted in sales tax monies not being apportioned to proper fund and not being expended according to sales tax ballots.

Recommendation: OSAI recommends the sales tax be apportioned and expended according to the sales tax ballot. If the County is going to charge a fee to receipts of a sales tax, we recommend they follow all parts of Title 19 O.S. § 153.1. Additionally, OSAI recommends any reimbursements for the cost of

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collecting, maintaining and distributing funds on behalf of the fire departments be done in accordance with Title 19 O.S. § 153.1.

Management Response:

County Clerk: After speaking with the auditor's office, we realized that the sales tax has to be put into the sales tax fund before it is apportioned to the County Clerk's office for bookkeeping and operation expenditures. We will prepare an estimate of needs for the new fiscal year 2014-2015. We also will submit an invoice to each department for reimbursement of our cost for bookkeeping.

County Treasurer: After speaking with the auditor's office, we realize that the sales tax has to be put into the sales tax fund before it is apportioned to the County Clerk's office for bookkeeping and operation expenditures. This agreement to do it the way we have in the past was agreed upon by the Fire Fighters Association, but it is now my understanding that the Clerk's office is now going to submit an invoice to each fire department.

Criteria: Title 68 O.S. § 1370E requires the sales tax collections to be deposited in the general revenue or sales tax revolving fund of the County and be used only for the purpose for which such sales tax was designated

19 O.S. § 153.1, (A) The county treasurer or county clerk may charge a fee to any entity which is the recipient of revenue from a designated county sales tax levied for that entity as reimbursement for the cost of collecting, maintaining, and distributing the funds on behalf of the entity. (B) The county treasurer or county clerk shall prepare a special estimate of needs each fiscal year covering all expenditures of the office on behalf of the entities receiving the sales tax revenue. The estimate of need shall be itemized by personal services, maintenance, and operation expenditures for each taxing entity and filed with the county excise board or county budget board. (C) In reviewing and approving the estimate as provided in subsection B of this section, the county excise board or county budget board shall charge such costs among the various recipients receiving the revenue and shall render a statement to each entity for reimbursement to the county general fund.

Finding 2013-7 - Inadequate Internal Controls Over Segregation of Duties – Purchasing (Repeat Finding)

Condition: Upon inquiry and observation of the County Clerk's purchasing process, it was noted that the purchasing deputy prepares purchase orders, encumbers purchase orders, approves/authorizes the encumbrance, and reviews the purchase order for accuracy. The bookkeeper prepares, approves, and distributes warrants, and maintains ledgers, has access to the clerk's signature stamp, and has access to make changes in the purchasing system.

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

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performed in this manner, and the County did not have an adequate understanding of how to properly segregate these duties.

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

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

Further, the duties of preparing and approving purchase orders should be segregated. Also, the duties of preparing, approving, and distributing warrants, and maintaining ledgers should be segregated.

Management Response:

County Clerk: As of October 2012, our purchasing clerk began printing purchase orders which combined the duties of preparing and encumbering as the purchase orders are entered in the computer. This is not something that can be segregated due to program we use. Our second deputy reviews the purchase orders for accuracy. I or my 1st deputy approves/authorizes the purchase order.

My bookkeeper prepares the warrants which are also automatically entered on the warrant ledger within the program. We no longer do hand written ledgers and haven't for about a year and a half. Our computer system prints what has been input. The approval of warrants as of October 2013, are being approved by myself, or 1st deputy. We have also put away all signature stamps. We implemented these procedures after I attended a training seminar conducted by OSAI. I am the only one who uses the signature stamp at this time.

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

Finding 2013-8 - Inadequate Internal Controls Over Segregation of Duties – Payroll (Repeat Finding)

Condition: Upon inquiry and observation of the County Clerk's payroll process, it was noted that the payroll clerk enrolls new hires, makes payroll changes, runs verification reports, and maintains personnel files. The bookkeeper prepares the warrants, approves warrants, distributes warrants, maintains ledgers, has access to the clerk's signature stamp, and access to make changes in the payroll system.

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

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performed in this manner, and the County did not have an adequate understanding of how to properly segregate these duties.

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

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 controls to mitigate the risks involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office, and having management review and approval of accounting functions.

Management Response:

County Clerk: We are making adjustments and segregating more duties on how we do our payroll process. We are implementing a more controlled checks and balance system to prevent the possibility of unrecorded transactions, undetected errors or misappropriation of funds. The signature stamp is now in my possession only, but not used. I sign all warrants or in my absence, my first deputy signs.

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

Finding 2013-9 - Inadequate Internal Controls Over the Evidence of Reconciliation of Appropriation Ledger to General Ledger (Repeat Finding)

Condition: There is no documentation of the reconciliation of the County Clerk's appropriation ledger to the County Treasurer's general ledger.

Cause of Condition: Procedures have not been designed and implemented to ensure the reconciliation of the County Clerk's appropriation ledger to the County Treasurer's general ledger.

Effect of Condition: This condition resulted in unrecorded transfers which caused one fund to have a negative balance.

Recommendation: OSAI recommends management take steps to ensure reconciliations are performed between the funds presented on the County Clerk's appropriation ledger and the County Treasurer's general ledger monthly. Documentation of this reconciliation should be reviewed and approved by someone other than the preparer.

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Management Response:

County Clerk: The County Clerk's office has always done an account summary monthly, however we never initialed it. The County Clerk's office and Treasurer's office started initialing the summary reports on August 2013. I will monitor these reports monthly as well and initial it.

County Treasurer: Although there is no documentation, a deputy performs this duty each month. It is now our policy to document this reconciliation as it was performed.

Criteria: Safeguarding controls are an aspect on internal controls. Safeguarding controls relate to the prevention or timely detection of unauthorized transactions and unauthorized access to assets. Failure to perform tasks that are part of internal controls, such as reconciliations not prepared or timely prepared, are deficiencies in internal control. Further, reconciliations should be performed and maintained on a monthly basis.

Finding 2013-10 - Inadequate Internal Controls Over Signature Stamps - County Clerk and County Treasurer (Repeat Finding)

Condition: During interviews, we noted that the County Clerk's employees have control of the signature stamps for the County Clerk. The employees use the signature stamps to authorize the requisition of goods and services for the fire department funds and for the approval of all warrants. We also noted that the Treasurer has one signature stamp, that all employees have access to and use it to approve the end of month report for the Election Board and vouchers for the District Attorney and Court Clerk offices.

Cause of Condition: The County Clerk and County Treasurer do not have physical control of their signature stamps. The County was unaware of the need for physical control over signature stamps.

Effect of Condition: This condition could result in the unauthorized transactions, misappropriation of funds, or clerical errors that are not detected in a timely manner.

Recommendation: OSAI recommends that signature stamps only be used by the official. Officials who utilize signature stamps should ensure that signature stamps are adequately safeguarded from unauthorized use.

Management Response:

County Clerk: We were made aware of the issues that could arise with the signature stamps when I attended a training seminar conducted by OSAI in October 2013. Since then I am the only one with access to my stamp and the only use that uses it.

County Treasurer: We were made aware of the issues that could arise with the signature stamps when I attended a training seminar conducted by OSAI in October 2013. Since then I am the only one with access to my stamp and the only one that uses it.

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Criteria: An aspect of internal control is the safeguarding of assets. Internal controls over safeguarding of assets constitute a process, affected by the entity’s governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or untimely detection of unauthorized acquisition, use, or disposition of the entity’s assets and safeguarding assets from loss, damage, or misappropriation.

Finding 2013-12 - Inadequate Internal Controls and Noncompliance Over Purchasing Process

Condition: Our test of sixty-five purchase orders, documented that two were not timely encumbered.

Fund	Office/District	Purchase Order Number	Amount
Public Health	Health	7535	\$265,488.85
Public Health	Health	8331	\$248,823.21

Cause of Condition: The County did not follow the policies and procedures designed by state statutes regarding the purchasing process.

Effect of Condition: This condition resulted in noncompliance with statutes, laws, regulations or legislative intent, and could result in inaccurate records, incomplete information, or a misappropriation of assets.

Recommendation: OSAI recommends that the County adhere to state purchasing guidelines. Purchase orders should be encumbered before goods or services are ordered. All purchase orders should be reviewed and authorized by the County Clerk’s office. Adequate supporting documentation should be attached to the purchase order.

Management Response:

County Clerk: In regards to purchase orders not being timely encumbered, after attending auditors’ issues class, I ordered a stamp for my purchasing clerk to use on all purchase orders that are not timely encumbered. Before stamp was ordered, the entity that brought the purchase orders would attach a letter to purchase order stating the reason.

Chairman, Board of County Commissioners: We will make sure that the County adheres to the state purchasing guidelines.

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

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

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Finding 2013-15 - Inadequate Internal Controls Over Bank Account Reconciliations (Repeat Finding)

Condition: Based on the testwork performed and observation of bank records and accounting records we determined the following weaknesses exist:

- Bank reconciliations are not being performed for the following accounts: Tax Account 162205 and Tax Account 17655. Further, these two accounts are also not listed on the County Treasurer's general ledger.
- It was also noted that there were several instances of ACH deposits in the General Bank account going unidentified for a long period of time, in some cases up to two years.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure all accounts are reconciled and approved.

Effect of Condition: This condition could result in undetected errors and/or misappropriation of assets.

Recommendation: OSAI recommends that bank reconciliations be performed monthly for all accounts. In addition, all bank reconciliations should be approved by someone other than the preparer and include an indication of such review. Furthermore, OSAI recommend policies and procedures be implemented to determine how to ensure that all deposits are timely identified.

Management Response:

County Treasurer: I assume the unidentified deposits referenced are occasional ACH deposits made to our General Bank account. When these occur, my office does everything in our power to identify these. The bank has no information or idea as to where this money has come from, or which department is suppose to receive it. My office contacts every single department head to try to determine who is expecting monies. So yes, I carry the balance as it is unidentified, until I feel enough time has passed with no department claiming it. I then ask the County Commissioners to direct me to simply deposit into County General.

Auditor Response: If it cannot be determined that the deposits are monies belong to the County, steps should be taken to send money to unclaimed property.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, all banks reconciliations should be performed monthly and approved by someone other than the preparer.

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Finding 2013-34 - Inadequate Controls Over County Judgments – County Treasurer (Repeat Finding)

Condition: While reviewing payments on the County’s judgments, we noted that the County Treasurer had erroneously issued duplicate payments to three vendors in the amounts of \$4,738.70, \$2,163.17, and \$446.53.

During an interview with the County Treasurer on October 29, 2013 concerning the overpayments, he retrieved two refund checks from under his desk calendar in the amounts of \$4,738.70 and \$2,163.17 which were dated May 3, 2013 and May 29, 2013, respectively. At that time, the Treasurer stated he did not know how to proceed with the refunds checks.

OSAI contacted the other vendor concerning the \$446.53 duplicate payment, the vendor confirmed the voucher was not cashed and was returned to the County. As of February 10, 2014, the Treasurer’s ledgers did not reflect that the voucher for overpayment was cancelled. This voucher was still listed as an outstanding voucher as part of the bank reconciliation. The judgment ledger did not track the amounts paid and amounts still owed on judgments.

Additionally, we noted a voucher for \$48,874.91 was issued April 23, 2013 to LeFlore County for County owned judgments and was carried as a reconciling item until October 8, 2014 when it was deposited into County Sinking Fund.

Cause of Condition: The Treasurer did not comply with state statute that requires all funds collected to be deposited daily. The Treasurer held the funds under his desk calendar without taking any action to ensure timely receipt and deposit of collections for erroneous overpayments. Further, policies and procedures have not been designed and implemented to ensure judgments are accurately paid. The Treasurer did not have policies and procedures in place to ensure ledgers were maintained in such a manner to clearly reflect amounts due to vendors on behalf of the judgments. Accurate ledgers would have prevented overpayments regarding judgments.

Effect of Condition: These conditions resulted in noncompliance with state statute and resulted in the County overpaying vendors regarding judgments. These conditions could result in loss of County funds. Since procedures are not in place to accurately safeguard against inaccurate payments, this condition could result in misstated reports, and or misappropriation of funds. Further, checks that are not restrictively endorsed for deposit only and that can be accessed by anyone are easily susceptible to theft.

Recommendation: OSAI recommends that the Treasurer immediately implement policies and procedures within the office that requires all collections to be deposited daily in accordance with state statutes. We further recommend that the Treasurer maintain ledgers for the payments of judgments in an accurate manner that will prevent future occurrences of overpayments. Internal controls should be designed and implemented that allow for the segregation of duties regarding payments of judgments. There should be an independent review for accuracy prior to issuing vouchers and no one person should have all duties to initiate and complete the process of paying judgments.

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Management Response:

County Treasurer: The overpayment error occurred due to a request by County Commissioner to pay judgments in question as we obtained the money rather than waiting to pay all the judgments at one time. This was an honest oversight by my staff and I. Very seldom do we ever deal with judgments and therefore we did not have an exact protocol as to keeping track of paid judgments. As soon as the overpayment was caught, we immediately contacted the vendors and a reimbursement check by them was issued back to LeFlore County. This has been a learning experience to say the least. The third voucher mentioned in the amount of \$446.53 is in fact in the judgment file. All three of the mentioned overpayment checks will be immediately deposited by miscellaneous receipt into the County Sinking Fund per OSAI.

Auditor Response: OSAI received the above management response on April 3, 2014 the County Treasurer did not deposit the two refund checks he had at this time. One check had to be sent back to the vendor to be reissued, because the date had expired. And the other refund check was not deposited until October 8, 2014.

Criteria: Under the authority of Title 19 § 682 of the Oklahoma Statutes, the statutes prescribe that “It shall be the duty of each and every county officer, county board, county commission and all members and employees of either thereof, to deposit daily in the official depository designated in sections 681 of Title 19, all monies checks, drafts, orders, vouchers, funds, rentals, penalties, costs, proceeds of sale of property, fees, fines, forfeitures and public charges of every kind received or collected by virtue or under color of office.”

Further, good internal controls include maintaining accurate ledgers of judgments payable that are regularly reconciled to the accounting records to guard against errors and/or fraud. Duties should be segregated regarding maintaining the ledgers and issuing the vouchers. A proper segregation of duties will protect against overpayments of judgments and possible misappropriation of assets.

Finding 2013- 39 - Falsified Travel Claims – County Treasurer (Repeat Finding)

Condition: During our audit, it was brought to our attention that the County Treasurer was claiming mileage reimbursement for attending training classes and conferences which he did not attend. OSAI obtained the Treasurer’s claims for travel reimbursement for the period January 1, 2012 through September 14, 2014. A total of thirty-three claims had been submitted for reimbursement. We obtained the training attendance rosters from Oklahoma State University (OSU) to verify the Treasurer had attended the training classes. We noted ten days that the Treasurer did not attend for the OSU training courses and filed a claim for reimbursement of mileage for attending the class. Based on this information it appears the County Treasurer filed claims for mileage reimbursement, in the amount of \$2,477.88, for training classes that he did not attend. Additionally, we noted two days that mileage reimbursement, totaling \$464.80, was claimed for attending a conference that the County Treasurer did not attend.

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Based on the information it appears the County Treasurer submitted false claims and received a total of \$2,942.68 for reimbursement of mileage for attending training classes and conference that he did not attend.

The following table lists the travel claim mileage paid to the Treasurer for trainings not attended. All vouchers listed cleared the County's bank account and were endorsed with the Treasurer's name.

RESALE VOUCHER CLAIM				OSU ATTENDANCE ROSTERS	
TRAVEL DATE	DESCRIPTION	MILES CLAIMED	MILEAGE PAID	ROSTER DATE	SIGN-IN
03/09/12	OSU CTP Class El Reno March 9, 2012	488	\$ 270.84	03/09/12	NO
05/04/12	Managing Personnel Woodward May 4, 2012	698	387.39	05/04/12	NO
05/10/12	OSU-CTP Land Records Muskogee May 10, 2012	214	118.77	05/10/12	NO
08/24/12	OSU-CTP Basic Mapping Enid August 24, 2012	549	304.70	08/24/12	NO
09/11/12	OSU-CTP Managing Personnel Omega September 11, 2012	518	287.49	09/11/12	NO
09/27/12	OSU-CTP El Reno September 27, 2012	470	260.85	09/27/12	NO
06/04/14	OSU-CTP Class McAlester OK June 4, 2014	205	114.80	06/04/14	NO
06/05/14	OSU-CTP Class McAlester OK June 5, 2014	229	128.24	06/05/14	NO
08/21/14	OSU-CTP Class Purchasing Weatherford OK August 21, 2014	542	303.52	08/21/14	NO
08/22/14	OSU-CTP Class Purchasing Weatherford OK August 22, 2014	538	301.28	08/22/14	NO
09/10/14	C.O.D.A. Conference September 10th-12th	417	233.52		
09/11/14	C.O.D.A. Conference September 10th-12th	413	231.28		
			\$ 2,942.68		

Cause of Condition: Travel claims for mileage reimbursement to trainings that were not attended were submitted and paid to the Treasurer.

Effect of Condition: This condition resulted in a loss to the County of \$2,942.68.

Recommendation: OSAI recommends that the District Attorney review this finding to determine the necessary action to be taken.

Management Response:

County Treasurer: I disagree with this finding and will discuss it further with the District Attorney.

Auditor Response: OSAI obtained information that documents the County Treasurer did not attend the training classes or conference. Additionally, no documentation was provided by the County Treasurer to verify attendance.

Criteria: Title 19 O.S. § 163 states, Each county officer or his deputy shall be entitled to reimbursement for all traveling expenses incurred in the performance of official duties. All expenses shall be paid upon sworn itemized claims.

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Title 19 O.S § 164. When transportation involves the use of the private automobile of a county officer, deputy, or county employee entitled to reimbursement, such county officer, deputy or employee shall be entitled to claim reimbursement for use thereof at the rate provided for in the State Travel Reimbursement Act for state officers and employees. Official duties shall include attendance by a county officer and at least one of his deputies for voluntary instruction.

Title 21 O.S. § 341. Every public officer of the state or any county, city, town, or member or officer of the Legislature, and every deputy or clerk of any such officer and every other person receiving any money or other thing of value on behalf of or for account of this state or any department of the government of this state or any bureau or fund created by law and in which this state or the people thereof, are directly or indirectly interested, who either:

First: Receives, directly or indirectly, any interest, profit or perquisites, arising from the use or loan of public funds in the officer's or person's hands or money to be raised through an agency for state, city, town, district, or county purposes; or

Second: Knowingly keeps any false account, or makes any false entry or erasure in any account of or relating to any moneys so received by him, on behalf of the state, city, town, district or county, or the people thereof, or in which they are interested; or

Third: Fraudulently alters, falsifies, cancels, destroys or obliterates any such account, shall, upon conviction, thereof, be deemed guilty of a felony and shall be punished by a fine of not to exceed Five Hundred Dollars (\$500.00), and by imprisonment in the State Penitentiary for a term of not less than one (1) year nor more than twenty (20) years and, in addition thereto, the person shall be disqualified to hold office in this state, and the court shall issue an order of such forfeiture, and should appeal be taken from the judgment of the court, the defendant may, in the discretion of the court, stand suspended from such office until such cause is finally determined.”

Finding 2013-40 - Inadequate Internal Controls and Noncompliance Over Interest and Penalty on Delinquent Ad Valorem Taxes – County Treasurer (Repeat Finding)

Condition: OSAI obtained the computer data for ad valorem tax collections for the calendar years 2010, 2011, 2012, and 2013 to verify interest and penalty on delinquent ad valorem taxes was being charged and collected. Based on the data we noted, for the four calendar years, a total of \$136,611.28 in interest and penalty was waived and not collected by the County Treasurer's office. The following documents the interest and penalty waived/uncollected by calendar years:

- 2010 \$ 20,624.63
- 2011 \$ 47,084.84
- 2012 \$ 28,072.90
- 2013 \$ 40,828.91

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Cause of Condition: Policies and procedures have not been designed and implemented to ensure interest and penalty on delinquent ad valorem taxes are collected in accordance with state statute.

Effect of Condition: This condition resulted in a loss of revenue to the County in the amount of \$136,611.28. Additionally, this condition also resulted in the noncompliance of state statute.

Recommendation: OSAI recommends that documentation of all waived interest and penalty be retained and made available for auditing. Furthermore, the only interest and penalty to be waived are those incurred at no fault of the taxpayer. Additionally, all delinquent ad valorem taxes shall be charge interest at the rate of one-half percent (1 ½ %) per month until paid. The interest charged shall not exceed the unpaid principal amount of tax.

Management Response:

County Treasurer: I am having the software vendor produce reports to determine if the amounts are accurate. So far we have found that these amounts include omits and erroneous assessments during each calendar year, which have no interest due if paid within thirty days from the time they are put on the tax roll. Also, a big part of this is a difference of one month interest, 1.5% per month, which would indicate a postmark was excepted. We do sometimes accept mail payments without interest included and then bill the taxpayer for interest due. That way the schools and other entities that receive revenue from the ad valorem tax receives the money they so badly need. I have instructed my employees to start keeping a copy and a ledger of the penalty/interest notices that are sent to the tax payer, along with any waived interest.

Auditor Response: Our calculation of the interest and penalty is based on the computer data in the County Treasurer's ad valorem software, which includes delinquent taxes where no interest and penalty had been collected. Also, the waiver of interest and penalty was not documented and maintained as required by statute.

Criteria: Title 68 O.S. § 2913 states that ad valorem taxes become due and payable on the first day of November and unless one-half of the taxes levied has been paid before the first day of January the entire tax shall become delinquent. If the first half of the ad valorem taxes are paid prior to the first day of January, the second half shall be paid before the first day of April and if not paid shall become delinquent.

All delinquent ad valorem taxes shall be charge interest at the rate of one-half percent (1 ½ %) per month until paid. The interest charged shall not exceed the unpaid principal amount of tax.

The County Treasurer may waive the interest or penalty in any case that it is shown that the interest or penalty was incurred through no fault of the tax payer. Each waiver of penalties and interest shall be audited by the office of the State Auditor and Inspector each year during the annual audit of the County offices.

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SECTION 3— Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

Finding 2013-26 - Inadequate County-Wide Controls Over Major Programs – Schools and Roads (Repeat Finding)

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 Lands

FEDERAL AWARD YEAR: 2013

CONTROL CATEGORY: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, level of Effort, Earmarking; Procurement and Suspension and Debarment;

QUESTIONED COSTS: -\$0-

Condition: County-wide controls regarding Risk Assessment, Information and Communication, 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: The Oklahoma State Auditor and Inspector's office (OSAI) recommends that the County design procedures to identify and address risks. OSAI also recommends that the County design monitoring procedures to assess the quality of performance over time. These procedures should be written policies and procedures and could be included in the County's policies and procedures handbook.

Management Response:

County Commissioner District 1: LeFlore County will establish written policies and procedures regarding Federal Funds that will be approved by the Board of County Commissioners.

County Commissioner District 2: LeFlore County as a budget board, sitting all local elected officials within, will to the best of its ability, design and implement a system of internal controls to ensure compliance with requirements including but not limited to grant requirements of federal disbursements.

County Commissioner District 3: I will work with the other offices in LeFlore County to come up with a written policy and procedures to deal with reporting and appropriating federal funds.

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

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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, Information and Communication, and Monitoring for the achievement of these goals.

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

Information and Communication is a component of internal control which should provide for a county to run and control its operations. A county must have relevant, reliable information, both financial and nonfinancial. The information should be recorded and communicated to management and other within the County who need it and in a form and within a time frame that enables them to carry out their internal control and operational responsibilities. In addition, the county needs to make sure that the forms of communication are broad-based and that information technology management assures useful, reliable, and continuous communications

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 2013-27 - Inadequate Internal Controls Over Major Federal Program – Schools and Roads (Repeat Finding)

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: 2013

CONTROL CATEGORY: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, level of Effort, Earmarking; Procurement and Suspension and Debarment;

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 procedures to ensure compliance with the following compliance requirements: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, level of Effort, Earmarking; Procurement and Suspension and Debarment.

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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 to 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 grant requirements.

Management Response:

County Commissioner District 1: The County will be in compliance with all Federal Contract grants by maintaining all ledgers.

County Commissioner District 2: LeFlore County as a Budget Board, sitting all local elected officials within, will to the best of its ability, design and implement a system of internal controls to ensure compliance with requirements including but not limited to grant requirements of federal disbursements.

County Commissioner District 3: District 3 will get a copy of compliance for federal grants to ensure expenditures are made in accordance with federal compliance requirements.

Criteria: *OMB Circular 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.

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.

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

Finding 2013-21 - Inadequate Internal Controls and Noncompliance Over Fixed Assets (Repeat Finding)

Condition: While gaining an understanding of controls over fixed assets and testing compliance with state statutes over fixed assets, we noted the following weaknesses:

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- The County has not designed procedures to perform and document an annual physical inventory of all fixed assets.
- County Commissioner Districts 1, 2, and 3 inventory records were not updated in the County Clerk’s office.
- The following offices did not file any inventory list with the County Clerk. County Commissioners (Courthouse, Emergency Management, and 911), County Sheriff, Detention Center (Sales Tax), and Fire Departments of Bokoshe, Cowlington, Fort Coffee, Haw Creek, Heavener, Howe, Latham Dog Creek, Monroe, Murry Spur, Octavia, Panama, Poteau, Shady Point, Talihina, and Whitesboro.
- The following locations have one employee that has authorization to perform the duties of requisitioning and receiving officer; District 2 and Fire Departments of Fort Coffee, Howe, Monroe, and Murray Spur.
- County Commissioner District 3 substation does not have a fence surrounding it.
- Additionally, OSAI selected a sample of one-hundred twenty (120) fixed asset items, and noted sixty-five (65) items were not clearly marked as being “Property of LeFlore County,” or did not have a County identification number attached in the following offices; General Government, County Treasurer, County Sheriff, Detention Center, OSU Extension, Election Board, Emergency Management, Solid Waste, and Fire Departments of Bokoshe, Big Cedar, Cowlington, Fanshawe, Fort Coffee, Haw Creek, Heavener, Hodgen, Hogeeye, Howe, Latham Dog Creek, LeFlore, Monroe, Murry Spur, Octavia, Panama, Post Mountain, Poteau, Shady Point, Talihina, and Whitesboro.
- The following equipment could not be located:

Office	Equipment	Serial Number
District 1	Miller Welder	KF838094
General Government	Radios	None
General Government	Fax Machines	77139758
County Clerk	Camera	2524
County Sheriff	Copier/Fax	SLY75621
Detention Center	Restraint Chair	None
Special 911	Generator	3537890
Special 911	Notebook PC	CNU3290GV7
Election Board	Shredder	667553
Emergency Management	Laptop computer	OWK741A01
Emergency Management	Monitor/Scanner	41197180GA

Cause of Condition: Procedures have not been designed and implemented with regard to effective internal controls over safeguarding of fixed assets by performing an annual physical inventory count and maintaining the fixed asset inventory record with the County Clerk.

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Effect of Condition: These conditions resulted in inaccurate and incorrect information and noncompliance with state statutes.

Recommendation: OSAI recommends the County adopt policies and procedures to implement a system of internal controls over the fixed assets inventory records. These controls would include that all offices:

- Perform an annual inventory count.
- Retain documentation to verify the physical inventory counts were performed.
- Inventory count should be performed by someone other than the receiving officer or inventory officer.

Further, OSAI recommends the County comply with 19 O.S. § 178.1 by maintaining inventory records and properly marking assets with County identification numbers, and performing and documenting a periodic inventory of fixed assets. The verification should be performed by an individual independent of the fixed asset recordkeeping process. Additionally, all requisitioning and receiving officers shall be employees of the County as 19 O.S § 1501 (4) and 19 O.S. § 1503.

Management Response:

County Commissioner District 1: We will update our inventory records in the County Clerk's office.

County Commissioner District 2: We will review our inventory and keep our inventory list updated with the County Clerk. We will also segregate the duties of requisitioning officer and the receiving officer. All county owned equipment will be clearly marked on both sides along with the County identification number.

County Commissioner District 3: District 3 will perform an annual review of all fixed assets and update the inventory record in the County Clerk's office. All equipment has been identified and clearly marked along with the County identification number attached to them.

County Sheriff: Since there was no exit or entrance audit conducted when I took office in January, 2013, I did not have an inventory list of property maintained by the Sheriff's office. I have been in the process of updating a very old list obtained from the County Clerk and will continue to complete/update that list, removing and adding items where necessary until complete.

County Treasurer: We have an inventory list that is updated but did not have it documented that it was reviewed annually. It was brought to my attention that, I believe a hard drive did not have an inventory number on it. Either it was missed when we were labeling equipment or the decal has peeled off over the years. We are going through our inventory and making sure that everything is correct and labeled accordingly.

County Clerk: We have an inventory list and after speaking with the auditors we have gained a better understanding that the list needs signed off on as having been reviewed annually. We review our list at the beginning of the fiscal year, but were not signing off to show proof of review. All of the County Clerks' equipment is tagged with an inventory number and recorded in our inventory system. I will make the Commissioners aware that they need to mark all vehicles, machinery, trailers with a sign stating

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Property of LeFlore County. Segregation of duties is difficult. I will inform the fire departments that they need to have separate requisitioning and receiving officers.

Secretary of Election Board: All inventory items have since been marked as being the property of LeFlore County.

Emergency Management Director: At the time of the auditor's visit, our office was in the process of updating the inventory. The laptop and monitor/scanner had both been internally identified as items that needed to be removed from the inventory. The laptop, for the last 18 to 20 months, had been on loan to LeFlore County 911. This item ceased to work and was deemed non-repairable due to its age and cost of parts.

We have not been able to locate and have never seen or utilized the monitor/scanner. This item, we assume, was disposed of by the previous administration. I contacted the previous Emergency Management Director and he was unable to remember any specific details about this particular item.

Both of these items will be submitted to the Board of County Commissioners for consideration of disposal and removal from inventory. We are continuing our efforts and work towards updating the existing Emergency Management Department inventory and marking all items on the inventory with a "Property of LeFlore County" decal which will include the items specific inventory ID number. Once the inventory update is complete it will be shared and placed on file with the LeFlore County Clerk's Office and a system will be put in place to ensure that updates to the inventory are performed no less than annually.

Administrative Assistant LeFlore County Detention Center: I did not know that we had two restraint chairs and there is no information on it. I knew we had one chair, the older chair looks kind of like a wheelchair. I didn't know we had it or where it came from. I will add this to the inventory list and file with County Clerk.

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

Title 19 O.S. § 178.1 requires the maintenance of inventory records and periodic inventory verifications.

Title 19 O.S. § 178.2 states, "It shall be and is hereby made the duty of every county officer, board, commission, or department, and by record directive of the board of county commissioners may be made the duty of any employee of the board of county commissioners subject to summary discharge and removal by the board, to conform in all respects and be amenable to all uniform resolutions adopted by their respective boards of county commissioners directing the taking, recording, maintaining and reporting

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inventories of properties in their respective custody in accordance with the provisions of this act. It shall be the duty and responsibility of each elected county official to create and maintain inventory records of said office. Such inventory shall be filed with the county clerk.”

Title 19 O.S. §§ 1501 (4) and 1503 requires the County to appoint requisition and receiving officers that are employees of the County.

Finding 2013-25 - Internal Controls Over Consumable Inventory (Repeat Finding)

Condition: Upon inquiry of County personnel, observation, and review of documents regarding consumable inventories, the following was noted:

- District 1, 2, and 3 did not retain documentation for the physical count of consumable inventories.
- District 1, 2, and 3 do maintain a fuel consumable record with a balance that can be reconciled to the actual fuel on hand, however the districts do not maintain documentation of a reconciliation of the fuel consumable record to the actual fuel on hand.
- In addition, fuel tanks were measured at each county barn and compared to the balance recorded on fuel logs. District 3 fuel logs did not agree to actual fuel on hand. The diesel fuel was short 166.2 gallons.

Cause of Condition: Procedures have not been implemented for the accurate reporting of consumable inventories.

Effect of Condition: These conditions could result in inaccurate records, unauthorized use of consumable inventories, or loss of consumable inventories.

Recommendation: OSAI recommends management implement internal controls to ensure compliance with 19 O.S. § 1504A. These controls would include:

- Performing and documenting a periodic physical count of inventory.
- Maintaining a fuel log with all pertinent information including a current balance.
- Reconciling fuel log periodically to fuel on hand and explain any variance or adjustments.

Management Response:

County Commissioner District 1: We will document all consumable inventories and maintain documentation on fuel records.

County Commissioner District 2: We will review consumable inventory and maintain documentation of the reviews, and provide this documentation to the County Clerk. Each week we will calculate balance of

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consumable records and compare it to the actual fuel on hand. We will also reinforce to each employee, they are to record dates and locations where it was used.

County Commissioner District 3: The District will perform a semi-annual review of all consumables and will maintain consumable records. We will perform reconciliations between fuel records and actual records. Any variances in consumable items will be corrected.

Criteria: Effective internal controls include designing and implementing procedures to ensure that all supplies, materials, and equipment received, disbursed, stored and consumed by their department comply with 19 O.S. § 1504A.

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Finding 2007-2 (Repeat Finding)

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: 2007

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

QUESTIONED COSTS: \$-0-

Finding Summary: 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.

Status: Not Corrected.

Finding 2007-3

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: 2007

CONTROL CATEGORY: Activities Allowed, Allowable Costs

QUESTIONED COSTS: \$37,236

Finding Summary: 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 questioned \$37,236 of these costs.

Status: Not Corrected.

Finding 2008-2 (Repeat Finding)

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

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

QUESTIONED COSTS: \$-0-

Finding Summary: 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; Matching, Level of Effort, Earmarking; and Procurement.

Status: Not Corrected.

Finding 2008-3 (Repeat Finding)

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

Finding Summary: 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 questioned \$230,829 of these costs.

Status: Not Corrected.

Finding 2009-2 (Repeat Finding)

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: 2009

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

QUESTIONED COSTS: \$-0-

Finding Summary: 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.

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Status: Not Corrected.

Finding 2009-3

PASS-THROUGH GRANTOR: Bureau of Indian Affairs

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-

Finding Summary: 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.

Status: Not Corrected.

Finding 2009-4

PASS-THROUGH GRANTOR: Oklahoma State Treasurer

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

Finding Summary: 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 cost.
- One (1) of the seventy-six (76) expenditures tested was not bid or had received phone quotes.

Status: Not Corrected.

**LeFLORE COUNTY, OKLAHOMA
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Finding 2009-5

PASS-THROUGH GRANTOR: Bureau of Indian Affairs
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

Finding Summary: While performing the expenditure testwork, the following exceptions were noted:

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

Status: Not Corrected.

Finding 2010-2 (Repeat Finding)

PASS-THROUGH GRANTOR: Oklahoma State Treasurer
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: 2010
CONTROL CATEGORY: Activities Allowed, Allowable Costs, Cash Management, and Procurement
QUESTIONED COSTS: \$-0-

Finding Summary: 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.

Status: Not Corrected.

Finding 2010-3 (Repeat Finding)

PASS-THROUGH GRANTOR: Bureau of Indian Affairs
FEDERAL AGENCY: United States Department of Transportation
CFDA NO: 20.205
FEDERAL PROGRAM NAME: Highway Planning and Construction
FEDERAL AWARD YEAR: 2010
CONTROL CATEGORY: Activities Allowed, Allowable Costs, Cash Management, Davis Bacon, and Procurement
QUESTIONED COSTS: \$-0-

**LeFLORE COUNTY, OKLAHOMA
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Finding Summary: 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.

Status: Not Corrected.

Finding 2010-4

PASS-THROUGH GRANTOR: Oklahoma State Treasurer
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: 2010
CONTROL CATEGORY: Procurement
QUESTIONED COSTS: \$242,081

Finding Summary: While performing the expenditure testwork, the following exceptions were noted:

- Thirty-five (35) of the eighty-one (81) expenditures tested were not timely encumbered.
- Eight (8) of the thirty-five (35) exceptions noted were for prior year obligations.

Status: Not Corrected.

Finding 2010-5

PASS-THROUGH GRANTOR: Bureau of Indian Affairs
FEDERAL AGENCY: United States Department of Transportation
CFDA NO: 20.205
FEDERAL PROGRAM NAME: Highway Planning and Construction
FEDERAL AWARD YEAR: 2010
CONTROL CATEGORY: Procurement
QUESTIONED COSTS: \$810,260.18

Finding Summary: While performing the expenditure testwork, the following exceptions were noted:

- 100% of the expenditures were tested and all three (3) of the expenditures tested were not timely encumbered.

Status: Not Corrected.

**LeFLORE COUNTY, OKLAHOMA
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Finding 2010-6 Interest Earned on Federal Grants (Repeat Finding)

PASS-THROUGH GRANTOR: Oklahoma State Treasurer and Bureau of Indian Affairs

FEDERAL AGENCY: United States Department of Agriculture, United States Department of Transportation

CFDA NO: 10.665, 20.205

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

FEDERAL AWARD YEAR: 2010

CONTROL CATEGORY: Cash Management

QUESTIONED COSTS: \$-0-

Finding Summary: 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 \$246.05 on these funds during the fiscal year ending June 30, 2010. The interest earned on the funds was apportioned to other funds and not deposited with the Treasury of the United States.

Status: Not Corrected.

Finding 2011-25 - Inadequate County-Wide Controls Over Major Programs – Schools and Roads and CDBG

PASS-THROUGH GRANTOR: Oklahoma State Treasurer and Bureau of Indian Affairs

FEDERAL AGENCY: United States Department of Agriculture, United States Department of Housing and Urban Development

CFDA NO: 10.665, 14.228

FEDERAL PROGRAM NAME: Schools and Roads - Grants to States
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii.

FEDERAL AWARD NUMBER: 13534 CDBG 08, 14066 CDBG ED 09

FEDERAL AWARD YEAR: 2011

CONTROL CATEGORY: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Davis Bacon Act; Equipment and Real Property Management; Matching Level of Effort, Earmarking; Period of Availability of Federal Funds; Procurement and Suspension and Debarment; Program Income; Real Property Acquisition Relocation Assistance; Reporting; Subrecipient Monitoring; and Special Tests and Provisions

QUESTIONED COSTS: \$-0-

Finding Summary: County-wide controls regarding Risk Assessment, Information and Communication, and Monitoring have not been designed.

Status: Not Corrected.

**LeFLORE COUNTY, OKLAHOMA
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Finding 2011-26- Inadequate Internal Controls Over Major Federal Program – Schools and Roads and CDBG

PASS-THROUGH GRANTOR: Oklahoma State Treasurer and Bureau of Indian Affairs

FEDERAL AGENCY: United States Department of Agriculture, United States Department of Housing and Urban Development

CFDA NO: 10.665, 14.228

FEDERAL PROGRAM NAME: Schools and Roads - Grants to States

Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii.

FEDERAL AWARD NUMBER: 14066 CDBG ED 09

FEDERAL AWARD YEAR: 2011

CONTROL CATEGORY: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Davis Bacon Act; Equipment and Real Property Management; Matching Level of Effort, Earmarking; Period of Availability of Federal Funds; Procurement and Suspension and Debarment; Program Income; Real Property Acquisition Relocation Assistance; Reporting; Subrecipient Monitoring; and Special Tests and Provisions

QUESTIONED COSTS: \$-0

Finding Summary: During the process of documenting the County's internal controls regarding federal disbursements, we noted that the County has not established internal controls to ensure compliance with the following compliance requirements: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Davis Bacon Act; Equipment and Real Property Management; Matching Level of Effort, Earmarking; Period of Availability of Federal Funds; Procurement and Suspension and Debarment; Program Income; Real Property Acquisition Relocation Assistance; Reporting; Subrecipient Monitoring; and Special Tests and Provisions.

Status: Not Corrected.

Finding 2012-26 - Inadequate County-Wide Controls Over Major Programs – Schools and Roads (Repeat Finding)

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: 2012

CONTROL CATEGORY: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, level of Effort, Earmarking; Procurement and Suspension and Debarment;

QUESTIONED COSTS: -\$0-

Finding Summary: County-wide controls regarding Risk Assessment, Information and Communication, and Monitoring have not been designed.

**LeFLORE COUNTY, OKLAHOMA
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Status: Not Corrected

**Finding 2012-27 - Inadequate Internal Controls Over Major Federal Program – Schools and Roads
(Repeat Finding)**

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: 2012

CONTROL CATEGORY: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, level of Effort, Earmarking; Procurement and Suspension and Debarment;

QUESTIONED COSTS: -\$0-

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

Status: Not Corrected.



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