

COUNTY AUDIT

MARSHALL COUNTY

For the fiscal year ended June 30, 2009



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



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

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

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Oklahoma State Auditor & Inspector

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

December 12, 2012

TO THE CITIZENS OF
MARSHALL COUNTY, OKLAHOMA

Transmitted herewith is the audit of Marshall County, Oklahoma for the fiscal year ended June 30, 2009. The audit was conducted in accordance with 19 O.S. § 171.

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

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

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

Sincerely,

A handwritten signature in blue ink, reading "Gary A. Jones".

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

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

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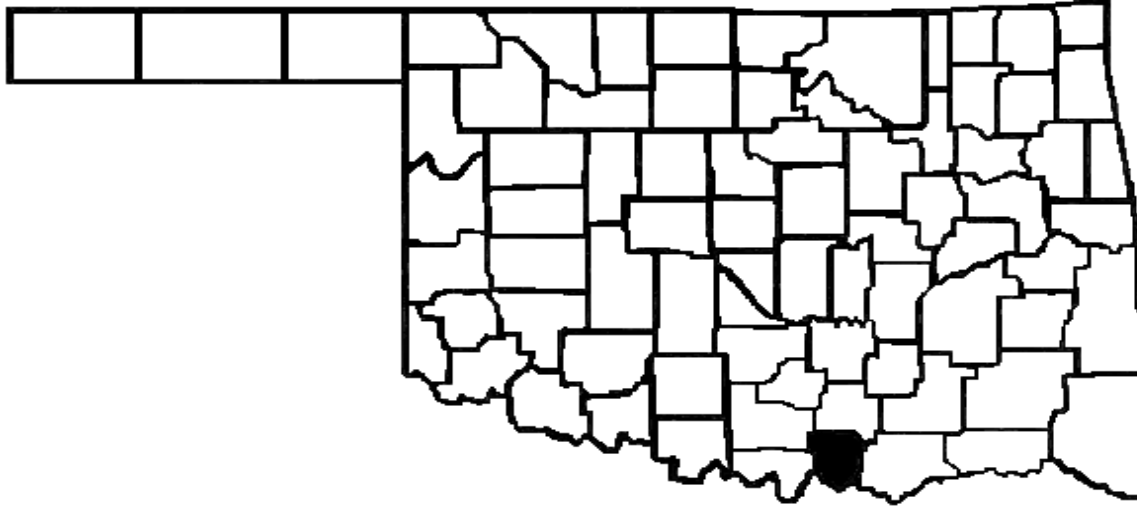
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**REPORT TO THE CITIZENS
OF
MARSHALL COUNTY, OKLAHOMA**



Created at statehood from Pickens County in the Chickasaw Nation, Indian Territory, this smallest county in the state was settled by the Chickasaws beginning in 1837 with the removal from their eastern homes. A member of the Oklahoma Constitutional Convention, George A. Henshaw of Madill, succeeded in giving the county his mother's maiden name, Marshall. The county seat, Madill, is named for George A. Madill of St. Louis, an attorney for the railroad.

Oil has played a colorful part in the county's history. Leases along the Red River led to the United States Supreme Court's final decision in the boundary dispute with Texas. Principal industries in the county are: Oklahoma Steel and Wire, W.W. Trailer, Clint Williams-Texoma Peanut Co., Madill Manufacturing, S & H Trailer, J & I Manufacturing and Contract Manufacturing. Also important are oil, agriculture, livestock, and tourism.

The Denison Dam, completed in 1944, created Lake Texoma with 91,200 acres of water. This lake attracts some 500,000 visitors annually and has made tourism a major industry in the county.

Native son, Raymond D. Gary of Madill, bought the spotlight of attention to the county when he became the fifteenth governor of Oklahoma during the years 1955-1959. For more county information, call the county clerk's office at 580/795-3220.

County Seat – Madill

Area – 426.95 Square Miles

County Population – 14,830
(2007 est.)

Farms – 545

Land in Farms – 157,754 Acres

Primary Source: Oklahoma Almanac 2009-2010

See independent auditor's report.

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

COUNTY ASSESSOR
Debbie Croasdale

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

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

COUNTY CLERK
Ann Hartin

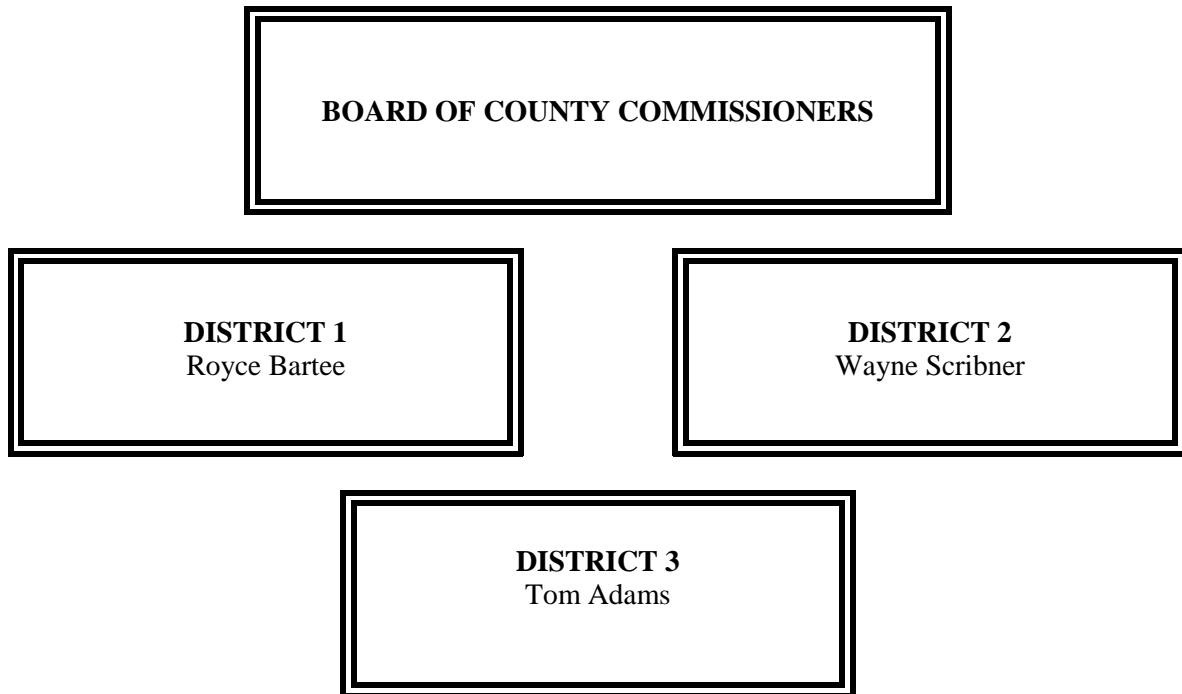
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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

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

See independent auditor’s report.

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



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

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

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

See independent auditor's report.

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

COUNTY SHERIFF
Robert Wilder

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

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

COUNTY TREASURER
Loyce Eldridge

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

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

See independent auditor's report.

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

COURT CLERK
Wanda Pearce

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

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

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

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

DISTRICT ATTORNEY
Craig Ladd

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

See independent auditor's report.

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

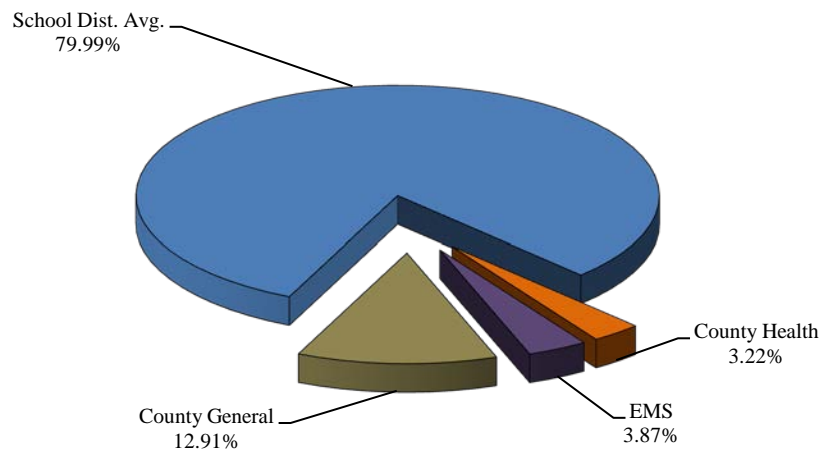
ELECTION BOARD SECRETARY LaRue Wilhite
--

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

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

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

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



County-Wide Millages		School District Millages						
				Gen.	Bldg.	Skg.	Common	Total
County General	10.33							
County Health	2.58	Madill	I-2	36.08	5.15	18.13	4.13	63.49
EMS	3.10	Kingston	I-35	36.26	5.18	18.94	4.13	64.51

See independent auditor's report.

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

Total net assessed value as of January 1, 2008		<u>\$ 85,014,502</u>
Debt limit - 5% of total assessed value		4,250,725
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	<u>-</u>	<u>-</u>
Legal debt margin		<u>\$ 4,250,725</u>

See independent auditor's report.

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

	<u>2009</u>
Estimated population	<u>14,830</u>
Net assessed value as of January 1, 2008	<u>\$ 85,014,502</u>
Gross bonded debt	-
Less available sinking fund cash balance	<u>-</u>
Net bonded debt	<u>\$ -</u>
Ratio of net bonded debt to assessed value	<u>0.00%</u>
Net bonded debt per capita	<u>\$ -</u>

See independent auditor's report.

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

Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2008	\$ 17,885,491	\$ 6,170,399	\$ 64,823,007	\$ 3,804,395	\$ 85,074,502	\$ 717,284,752

See independent auditor's report.

FINANCIAL SECTION



Oklahoma State Auditor & Inspector

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Independent Auditor's Report

TO THE OFFICERS OF
MARSHALL COUNTY, OKLAHOMA

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2012, on our consideration of Marshall County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

December 5, 2012

OTHER SUPPLEMENTARY INFORMATION

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

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. DEPARTMENT OF DEFENSE			
Direct Grant:			
Payments to States in Lieu of Real Estate Taxes	12.112		\$ 147,483
Total U.S. Department of Defense			<u>147,483</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed Through Oklahoma Department of Commerce:			
Community Development Block Grants/State's program and			
Non-Entitlement Grants in Hawaii	14.228	12606 CDBG	26,239
	14.228	12157 CDBG	23,319
	14.228	12876 CDBG	196,618
Total U.S. Department of Housing and Urban Development			<u>246,176</u>
U.S. DEPARTMENT OF INTERIOR			
Direct Grant:			
Payment in Lieu of Taxes	15.226		190,182
Total U.S. Department of Interior			<u>190,182</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed Through Oklahoma Department of Emergency Management:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		29,566
Total U.S. Department of Federal Emergency Management			<u>29,566</u>
Total Expenditures of Federal Awards			<u>\$ 613,407</u>

The accompanying note is an integral part of this schedule.
See independent auditor's report.

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

Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of Marshall 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*.

See independent auditor's report.

INTERNAL CONTROL AND COMPLIANCE SECTION



Oklahoma State Auditor & Inspector

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

TO THE OFFICERS OF
MARSHALL COUNTY, OKLAHOMA

We were engaged to audit the financial statements of Marshall County, Oklahoma, as of and for the year ended June 30, 2009, and have issued our report thereon dated December 5, 2012. We did not express an opinion on the financial statements because the County did not prepare financial statements in accordance with accounting principles generally accepted in the United States of America. We were engaged to conduct our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Marshall County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Marshall County's internal control over financial reporting.

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

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

Compliance and Other Matters

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

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

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

A handwritten signature in blue ink, appearing to read "Gary A. Jones", with a stylized, flowing script.

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

December 5, 2012



Oklahoma State Auditor & Inspector

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

TO THE OFFICERS OF
MARSHALL COUNTY, OKLAHOMA

Compliance

We have audited the compliance of Marshall 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 are applicable to its major federal program for the year ended June 30, 2009. Hughes County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of Marshall County's management. Our responsibility is to express an opinion on Marshall 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 Marshall 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 Marshall County's compliance with those requirements.

As described in item 2009-4 in the accompanying schedule of findings and questioned costs, Marshall County did not comply with requirements regarding Allowable Costs/Cost Principles that are applicable to its Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii (14.228). Compliance with such requirement is necessary, in our opinion, for Marshall County to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Marshall County complied, in all material respects, with the requirements referred to above that are applicable to its major federal program Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii (14.228) for the year ended June 30, 2009. Also in our opinion, Marshall County complied in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its other major program, Payment in Lieu of Real Estate Taxes (15.226) for the year ended June 30, 2009. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2009-3.

Internal Control Over Compliance

Management of Marshall 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 Marshall 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 Marshall 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 a certain deficiency in internal control over compliance that we consider to be a material weakness.

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 deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2009-2 and 2009-5 to be a material weakness.

Marshall 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 Marshall County's responses and, accordingly, we express no opinion on them.

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

A handwritten signature in blue ink, appearing to read "Gary A. Jones". The signature is fluid and cursive, with the first name "Gary" being more prominent.

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

December 5, 2012

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

SECTION 1—Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Disclaimer of Opinion

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? Yes

Federal Awards

Internal control over major programs:

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

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

Qualified Opinion - Community Development Block Grants/State's Program and Non-Entitlement Grants
in Hawaii (14.228)

Unqualified Opinion - Payments in Lieu of Real Estate Taxes (15.226)

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

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

Identification of Major Programs

CFDA Number(s)

14.228

Name of Federal Program or Cluster

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

15.226

Payments in Lieu of Real Estate Taxes

Dollar threshold used to distinguish between

Type A and Type B programs: \$300,000

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

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

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

Finding 2009-1—Financial Statements

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

Cause of Condition: Procedures have not been designed to ensure compliance with state statutes.

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

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

Management Response: This finding has been resolved with the introduction of new legislation.

Criteria: For Counties who have adopted the County Budget Act per 19 O.S. § 1403 and 19 O.S. § 1405 which states, --The accounting records of each county shall be established and maintained and financial statements prepared therefrom in conformity with generally accepted accounting principles promulgated from time to time by authoritative bodies in the United States...

SECTION 3—Findings related to the Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133.

Finding 2009-2 – Internal Controls Over Major Program – CDBG

PASS-THROUGH GRANTOR: Oklahoma Department of Commerce

FEDERAL AGENCY: United States Department of Housing and Urban Development

CFDA NO: 14.228

FEDERAL PROGRAM NAME: Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii

FEDERAL AWARD YEAR: 2008

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

CONTROL CATEGORY: Activities Allowed/Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching Level of Effort/Earmarking; Period of Availability; and Procurement and Suspension and Debarment; Reporting; and Special Tests and Provisions

QUESTIONED COSTS: \$0

Condition: During the process of documenting the County's internal controls regarding federal disbursements, we noted that Marshall County has not established internal controls to ensure compliance with the following compliance requirements: Activities Allowed/Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching Level of Effort/Earmarking; Period of Availability; and Procurement and Suspension and Debarment; Reporting; and Special Tests and Provisions.

Cause of Condition: Procedures have not been designed to ensure compliance with *OMB Circular A-133*.

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

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

Management Response: We are implementing procedures to make sure that federal funds are expended in accordance with grant requirements.

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

Subpart C—Auditees

§___.300 Auditee responsibilities.

The auditee shall:

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

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

Finding 2009-3 – Cash Management - CDBG

PASS-THROUGH GRANTOR: Oklahoma Department of Commerce

FEDERAL AGENCY: United States Department of Housing and Urban Development

CFDA NO: 14.228

FEDERAL PROGRAM NAME: Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii

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

FEDERAL AWARD YEAR: 2009

CONTROL CATEGORY: Cash Management

QUESTIONED COSTS: \$0

Condition: All funds received were not expended within fifteen (15) days of receipt.

Cause of Condition: Procedures have not been designed to ensure compliance with federal grant requirements.

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

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

Management Response: We are implementing procedures to make sure that federal funds are expended in accordance with grant requirements.

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

Subpart C—Auditees

§__.300 Auditee responsibilities.

The auditee shall:

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

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

Finding 2009-4 - Lack of Supporting Documentation - CDBG

PASS-THROUGH GRANTOR: Oklahoma Department of Commerce

FEDERAL AGENCY: United States Department of Housing and Urban Development

CFDA NO: 14.228

FEDERAL PROGRAM NAME: Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii

FEDERAL AWARD YEAR: 2009

CONTROL CATEGORY: Activities Allowed/Unallowed; Allowable Cost; and Procurement and Suspension and Debarment

QUESTIONED COSTS: \$26,239.42

Condition: Reimbursement of expenditures to the Highway Fund from CDBG 12606 was not supported by proper documentation.

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

Cause of Condition: Procedures have not been designed to ensure supporting documentation is available for federal monies disbursed.

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

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

Management Response: We are implementing procedures to make sure that federal funds are expended in accordance with grant requirements.

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

Subpart C—Auditees

§____.300 Auditee responsibilities.

The auditee shall:

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

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

Finding 2009-5 – County-Wide Controls Over Major Program

PASS-THROUGH GRANTOR: Oklahoma Department of Commerce

FEDERAL AGENCY: United States Department of Housing and Urban Development

CFDA NO: 14.228

FEDERAL PROGRAM NAME: Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii

FEDERAL AWARD YEAR: 2009

CONTROL CATEGORY: Activities Allowed/Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching Level of Effort/Earmarking; Period of Availability; Procurement and Suspension and Debarment; Reporting; and Special Tests and Provisions

QUESTIONED COSTS: \$-0-

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

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

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

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

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

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

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

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

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

Management Response: We are implementing procedures, to the best of our ability, to address County Wide controls over Federal Programs. We are attending training and workshops to better understand requirements for federal programs.

Criteria: Internal control is an integral component of an organization's management that provides reasonable assurance that the objectives of effectiveness and efficiency of operations, reliability of financial reporting and compliance with laws and regulations are being made. Internal control comprises the plans, methods, and procedures used to meet missions, goals, and objectives. Internal control also serves as the first line of defense in safeguarding assets and preventing and detecting errors and fraud. County management is responsible for designing a county-wide internal control system comprised of Risk Assessment and Monitoring for the achievement of these goals.

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

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

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

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

Finding 2008-2 – Internal Controls Over Major Program - FEMA

CFDA NO: 97.036

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

Federal Agency: United States Department of Homeland Security

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

Status: Not corrected.

Finding 2008-3 – Supporting Documentation for Administrative - FEMA

CFDA NO: 97.036

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

Federal Agency: United States Department of Homeland Security

Finding Summary: Documentation could not be provided for the administration of the grant.

Status: Not corrected.

Finding 2008-4 – Supporting Documentation - FEMA

CFDA NO: 97.036

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

Federal Agency: United States Department of Homeland Security

Finding Summary: Documentation for project worksheets could not be provided.

Status: Not corrected.

Finding 2008-5 – Internal Controls Over Major Program – CDBG

CFDA NO: 14.228

Federal Program Name: Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii

Federal Agency: United States Department of Housing and Urban Development

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

Status: Not corrected.

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

Finding 2008-6 – Cash Management - CDBG

CFDA NO: 14.228

Federal Program Name: Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii

Federal Agency: United States Department of Housing and Urban Development

Finding Summary: All funds received were not expended within fifteen (15) days of receipt.

Status: Not corrected.

Finding 2008-7 – County-Wide Controls Over Major Programs

CFDA NO: 14.228, 97.036

Federal Program Name: Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii, Disaster Grants - Public Assistance (Presidentially Declared Disasters)

Federal Agency: United States Department of Housing and Urban Development, United States Department of Homeland Security

Finding Summary: County-wide controls regarding Risk Management and Monitoring have not been designed.

Status: Not corrected.



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