

COUNTY AUDIT

MAYES COUNTY

For the fiscal year ended June 30, 2008



*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

**MAYES COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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Oklahoma State Auditor & Inspector

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December 22, 2011

TO THE CITIZENS OF
MAYES COUNTY, OKLAHOMA

Transmitted herewith is the audit of Mayes County, Oklahoma for the fiscal year ended June 30, 2008. A report of this type can be critical in nature; however, we do not intend to imply that our audit failed to disclose commendable features in the present accounting and operating procedures of the County.

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

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

Sincerely,

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

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

**MAYES COUNTY, OKLAHOMA
FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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**MAYES COUNTY, OKLAHOMA
FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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



Created at statehood from lands lying within the Cherokee Nation, Indian Territory, the county was named for Samuel H. Mayes, Cherokee Chief. The first permanent white settlement in Oklahoma was at Salina where the French established a trading post in 1769. Near Mazie is the site of Union Mission, established in 1820 by a Presbyterian missionary to the Osages. The important Texas Trail followed the Grand River through the county, entering the state at the northeast corner and continuing south to the Red River.

Pryor, the county seat, was named for Nathaniel Pryor, a scout with the Lewis and Clark expedition who settled at Pryor's Creek, an Osage trading post a few miles southeast of the present town. Located 44 miles from Tulsa, Pryor is on U.S. 69 and S.H. 20, and is 20 miles from the Arkansas River Navigation Channel. Mid-America Industrial Park, the largest industrial park in the state, has more than 7,000 acres of industrial real estate. Industry includes beef production, which ranks number one in the county, and dairying, which ranks third in the state. Major crops are soybeans, hay, sorghum, wheat, and corn.

County Seat – Pryor

Area – 683.51 Square Miles

County Population – 39,471
(2005 est.)

Farms – 1,552

Land in Farms – 302,172 Acres

Primary Source: Oklahoma Almanac 2007-2008

See independent auditor's report.

**MAYES COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

COUNTY ASSESSOR

Saundra White

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

Rita Littlefield

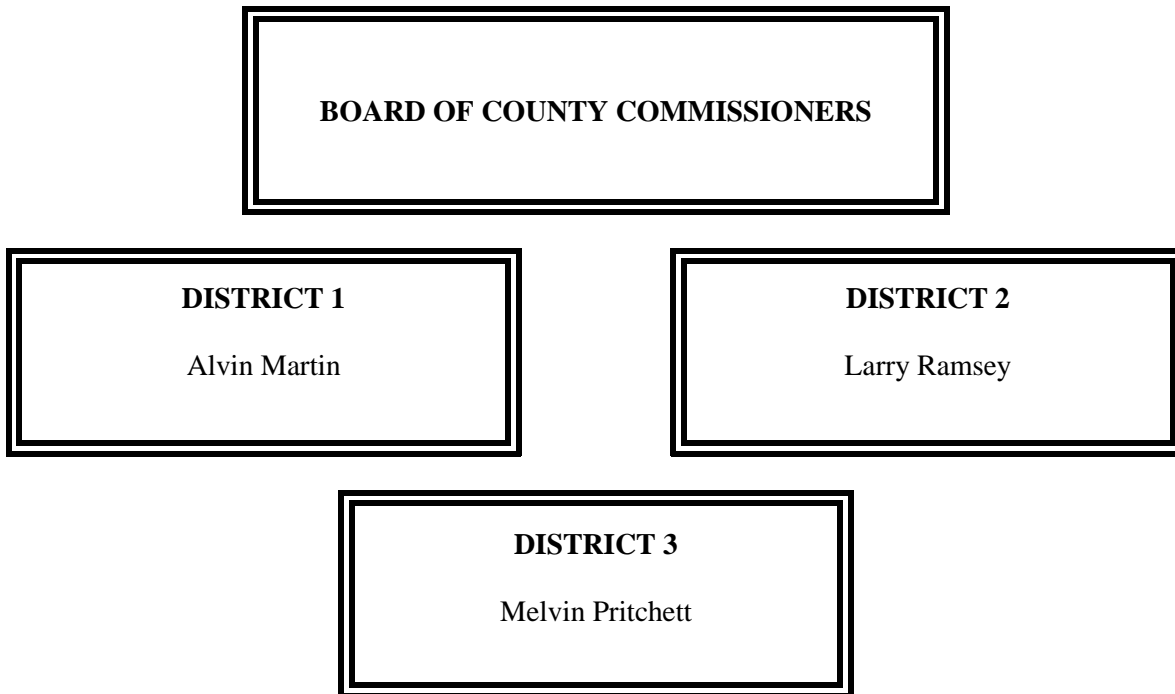
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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.

**MAYES COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**



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.

**MAYES COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

COUNTY SHERIFF

Frank Cantey

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

Martha Carman

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.

**MAYES COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

COURT CLERK

Lori Parsons

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

Gene Haynes

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.

**MAYES COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

ELECTION BOARD SECRETARY

Jill McCullah

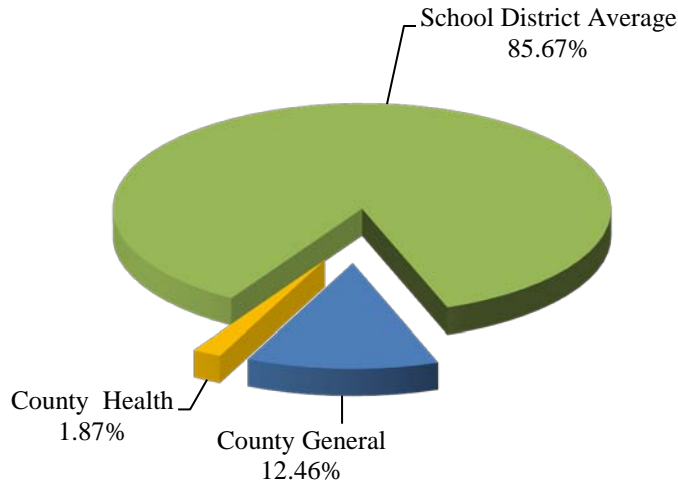
The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the county. The Board also conducts all elections held within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

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

See independent auditor's report.

**MAYES COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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							
County General	10.33			Gen.	Bldg.	Skg.	4-Mill Levy	Career Tech	Total
County Health	1.55	Pryor	I-1	35.79	5.11	10.92	4.13	11.33	67.28
		Adair	I-2	37.27	5.32	12.48	4.13	11.33	70.53
		Salina	I-16	36.18	5.17	26.39	4.13	11.33	83.20
		Locust Grove	I-17	36.47	5.21	26.60	4.13	11.33	83.74
		Spavinaw	I-21	35.99	5.14		4.13	11.33	56.59
		Chouteau-Mazie	I-23	36.07	5.15	7.30	4.13	11.33	63.98
		Wickliffe	D-35	36.46	5.21		4.13	11.33	57.13
		Osage	D-43	36.73	5.25	12.91	4.13	11.33	70.35
		Chelsea	R-3	37.00	5.29	20.11	4.13	11.33	77.86
		Inola	R-5	38.09	5.44	24.01	4.13	11.33	83.00
		Big Cabin	R-65	37.40	5.34	20.05	4.13	11.33	78.25
		Ketchum	D-6	36.15	5.16	3.66	4.13	11.33	60.43
		Disney	D-1	35.79	5.11	14.62	4.13	11.33	70.98

See independent auditor's report.

**MAYES COUNTY, OKLAHOMA
COMPUTATION OF LEGAL DEBT MARGIN
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)**

Total net assessed value as of January 1, 2007		<u>\$ 204,554,342</u>
Debt limit - 5% of total assessed value		10,227,717
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	<u>1</u>	<u>-</u>
Legal debt margin		<u>\$ 10,227,717</u>

See independent auditor's report.

**MAYES COUNTY, OKLAHOMA
RATIO OF NET GENERAL BONDED DEBT TO ASSESSED
VALUE AND NET BONDED DEBT PER CAPITA
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)**

	2008
Estimated population	39,471
Net assessed value as of January 1, 2007	\$ 204,554,342
Gross bonded debt	-
Less available sinking fund cash balance	1
Net bonded debt	\$ -
Ratio of net bonded debt to assessed value	0.00%
Net bonded debt per capita	\$ -

See independent auditor's report.

**MAYES COUNTY, OKLAHOMA
ASSESSED VALUE OF PROPERTY
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)**

<u>Valuation Date</u>	<u>Personal</u>	<u>Public Service</u>	<u>Real Estate</u>	<u>Homestead Exemption</u>	<u>Net Value</u>	<u>Estimated Fair Market Value</u>
1/1/2007	\$43,674,948	\$17,125,249	\$154,585,716	\$10,831,571	\$204,554,342	\$1,826,386,982

See independent auditor's report.

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
MAYES COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Mayes County, Oklahoma, as of and for the year ended June 30, 2008, listed in the table of contents as the basic financial statement. This financial statement is the responsibility of Mayes County's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, this financial statement was prepared using accounting practices prescribed or permitted by Oklahoma state law, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Mayes County as of June 30, 2008, or changes in its financial position for the year then ended.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash of Mayes County, for the year ended June 30, 2008, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2011, on our consideration of Mayes County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial

reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the combined total of all funds within the basic financial statement taken as a whole. The combining information is presented for purposes of additional analysis rather than to present the receipts, disbursements, and cash balances of the individual funds. Also, the other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis, and is not a required part of the basic financial statement. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statement. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statement 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.

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

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

December 7, 2011

Basic Financial Statement

**MAYES COUNTY, OKLAHOMA
 COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
 CHANGES IN CASH BALANCES
 (WITH COMBINING INFORMATION)
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	Beginning Cash Balances July 1, 2007	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2008
Combining Information:						
County General Fund	\$ 1,775,347	\$ 5,905,309	\$ 1	\$ -	\$ 5,334,853	\$ 2,345,804
Highway Cash	1,042,547	3,371,952			2,954,850	1,459,649
Firefighters Fund Sales Tax	918,707	875,060			680,156	1,113,611
County Health Department	192,163	326,353			331,122	187,394
Resale Property Fund	213,963	161,247	62,635		143,939	293,906
Sheriff Service Fee	422,608	415,361			431,926	406,043
Sheriff Revolving	208,284	306,649			184,769	330,164
Treasurer Mortgage Tax Certification Fee	9,936	12,371			17,815	4,492
Sheriff Community Service Sentencing Program	70,102	32,330			7,483	94,949
County Clerk Record Management & Preservation	99,545	44,752			73,502	70,795
County Clerk Lien Fee	51,768	17,552			4,134	65,186
Mayes County Community Sentencing Program (MCCSP)	195,063	73,058			66,657	201,464
County Jail Sales Tax Revolving	199,470	443,144			439,786	202,828
Free Fair Improvements	1			1		
Great Grant	17,085	125,480			110,125	32,440
Grant Fund		2,000			2,000	
County Sinking	1					1
E-911 Funds	108,100	284,006			235,190	156,916
Wireless E-911		189,770			130,559	59,211
Assessor Revolving Fund	28,196	6,527			15,621	19,102
Public Facilities Authority Sales Tax	996,580	1,334,165			857,235	1,473,510
Sheriff Commissary Fund	58,513	95,592			103,625	50,480
Flood Plain Board	740	75				815
Combined Total--All County Funds, as restated	<u>\$ 6,608,719</u>	<u>\$ 14,022,753</u>	<u>\$ 62,636</u>	<u>\$ 1</u>	<u>\$ 12,125,347</u>	<u>\$ 8,568,760</u>

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

**MAYES COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

1. Summary of Significant Accounting Policies

A. Reporting Entity

Counties were created by the Constitution of Oklahoma. One county officer is appointed; however, most county officers are locally elected by their constituents. All county powers are delegated by the state.

The accompanying basic financial statement presents the receipts, disbursements, and changes in cash balances of the total of all funds of Mayes County, Oklahoma. The financial statement referred to includes only the primary government of Mayes County, Oklahoma, and does not include financial information for any of the primary government's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial information of the primary government. The funds presented as line items are not a part of the basic financial statement, but have been included as supplementary information within the basic financial statement. These separate funds are established by statute, and their operations are under the control of the County officials. 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. The other funds presented account for financial resources whose use is restricted for specified purposes.

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 funds included as supplementary information within the financial statement:

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

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

Firefighters Fund Sales Tax – revenues are from sales tax. Disbursements are at the direction of the County Commissioners.

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

**MAYES COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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

Sheriff Service Fee – revenues are from fees charged for serving summons and notices. Disbursements are for any lawful expense of the Sheriff's office.

Sheriff Revolving – revenues are from various fees collected by the Sheriff. Disbursements are for any legal expense of the Sheriff's office.

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

Sheriff Community Service Sentencing Program – revenues are from state funds reimbursing the supervision expense of people sentenced to community service and for transporting juveniles.

County Clerk Record Management and Preservation – revenues are from a fee charged by the County Clerk for recording instruments. Disbursements are for the maintenance and preservation of public records.

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

Mayes County Community Sentencing Program (MCCSP) – revenues are from a defendant pay program for participant collections.

County Jail Sales Tax Revolving – revenues are from a county sales tax. Disbursements are for salaries at the jail.

Free Fair Improvements – an old account that general fund money was inadvertently placed into several years ago. The funds were transferred to the general fund in fiscal year 2007 to correct the error, and the remaining balance was transferred in fiscal year 2008 to close the account.

Great Grant – revenues are from the federal government. Disbursements are made in conjunction with the Boys and Girls Club for the Gang Resistance Education and Training (G.R.E.A.T) Program.

Grant Fund – revenues are from federal grants. Disbursements are for hazard mitigation and for LEPC.

County Sinking – debt service receipts are derived generally from a special ad valorem tax levy.

E-911 Funds – accounts for the collection of fees charged on telephone bills for the County's emergency 911 system. The fees go to Mayes County from the telephone companies. Disbursements are for expenditures related to providing these services.

**MAYES COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Wireless E-911 - accounts for the collection of fees charged on telephone bills for the County's emergency 911 system. Grand Gateway collects the fees and then sends them to Mayes County. Disbursements are for expenditures related to providing these services.

Assessor Revolving Fund –revenues are from any and all fees collected by the County Assessor. Disbursements are to maintain electronic databases and geographic information systems in the Assessor's office.

Public Facilities Authority Sales Tax – revenues are from a county sales tax. Disbursements are for payments on revenue bonds and also for improvements for county facilities.

Sheriff Commissary Fund – revenues are from profits derived from the sale of commissary items to jail inmates. Disbursements are for the operations and improvements of jail facilities.

Flood Plain Board - revenues are from fees that are charged when an individual applies for a flood plain permit. Disbursements are to pay some of the Emergency Management Director's expenses in order to operate and for a portion of the Director's salary.

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

C. Basis of Accounting

The basic 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 cash basis financial presentation is not a comprehensive measure of economic condition or changes therein.

D. Budget

Under current Oklahoma Statutes, a general fund and a county health department fund are the only funds required to adopt a formal budget. On or before the first Monday in July of each year, each officer or department head submits an estimate of needs to the governing body. The budget is approved for the respective fund by office, or department and object. The County Board of Commissioners may approve changes of appropriations within the fund by office or department and object. To increase or decrease the budget by fund requires approval by the County Excise Board.

**MAYES COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

For the highway funds and other funds, which are not required to adopt a formal budget, appropriations are made on a monthly basis, according to the funds then available.

E. Cash

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).

F. Investments

The County Treasurer has been authorized by the County's governing board to make investments. By statute (62 O.S. § 348.1 and § 348.3), the following types of investments are allowed:

- U.S. Government obligations
- Certificates of deposit
- Savings accounts
- G.O. bonds issued by counties, municipalities or school districts
- Money judgments against counties, municipalities or school districts
- Bonds and revenue notes issued by a public trust when the beneficiary of the trust is a county, municipality or school district
- Negotiable certificates of deposit
- Prime bankers acceptance which are eligible for purchase by the Federal Reserve System
- Prime commercial paper with a maturity of 180 days or less
- Repurchase agreements
- Money market funds regulated by the Securities and Exchange Commission and which investments consist of the above-mentioned types of investments

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.

G. Compensated Absences

All full-time Mayes County employees shall be entitled to vacation leave that is accrued on a monthly basis in accordance with the schedule outlined below:

**MAYES COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Years of Service	Vacation Leave	Accumulation Limits
After 6 months	5 days or equivalent hours	0 hours
6 months through 1 st year	5 days or equivalent hours	0 hours
2 nd year through 5 th year	10 days or equivalent hours	0 hours
6 th year through 15 th year	15 days or equivalent hours	0 hours
16 th year +	20 days or equivalent hours	0 hours

No vacation will be longer than 10 consecutive working days without the prior permission of the elected official for whom the employee works or reports. Vacation schedules should be requested in advance and are subject to elected official approval. Vacation leave must be taken in increments of full days unless specifically approved by the supervising county official. No vacation leave shall be accumulated or carried over to the succeeding calendar year unless special circumstances warrant such an exception, as determined by the supervising elected county official. Upon separation, an employee will be paid for the balance of unused vacation leave.

All full-time Mayes County employees shall be entitled to sick leave with pay that is accrued on a monthly basis in accordance with the schedule outlined below:

Full-time employees shall be entitled to accrue 10 sick days or the equivalent hours per calendar year. Employees shall not accrue more than 60 sick days or the equivalent hours.

An employee may utilize sick leave for the following reasons:

- Personal illness
- Illness of a spouse, child, parent, or legal dependent.

When terminating employment with the County, an employee may not collect pay for accrued and unused sick leave.

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."

The assessed property value as of January 1, 2007, was approximately \$ 204,554,342.

Per Article 10, § 8A, with the repeal of personal property tax, the millages with the adjustment factor are 10.33 mills for general fund operations and 1.55 mills for county health department. In

**MAYES COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

addition, the County collects the ad valorem taxes assessed by school districts and remits the ad valorem taxes collected to the appropriate taxing units.

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.

Current year tax collections for the year ended June 30, 2008, were approximately 95.54 percent of the tax levy.

3. Fuel Tax

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.

4. Risk Management

ACCO-SIG – The County is exposed to the various risks of loss related to torts; theft, damage, or destruction of assets; errors or omissions; injuries to employees; or acts of God. The County participates in a public entity risk pool: Association of County Commissioners of Oklahoma-Self-Insurance Group (ACCO-SIG). If claims exceed the authorized deductibles, the County could have to pay its share of any pool deficit. A judgment could be assessed for claims in excess of the pool's limits.

5. Long-term Obligations

Capital Leases

The County acquires road machinery and equipment through lease-purchase agreements financed by the Oklahoma Department of Transportation and/or the equipment vendors or their assignees pursuant to the provisions of 69 O.S. § 636.1 through § 636.7. Lease agreements entered into with the Oklahoma Department of Transportation (ODOT) are interest free, but have a one-time fee of 3% on all pieces of machinery acquired.

**MAYES COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

6. 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. County employees are required to contribute between 3.5% and 8.5% of earned compensation. The County contributes between 8.5% and 13.5% of earned compensation. Elected officials could contribute between 4.5% and 10% of their entire compensation. The County contributes 13.5% of earned compensation for elected officials. The County's contributions to the Plan for the years ending June 30, 2008, 2007, and 2006, were \$509,626, \$429,865, and \$375,030, respectively, equal to the required contributions for each year.

2.5% Step-Up. Members have the option to increase the benefit computation factor for all future service from 2.0% to 2.5%. The election is irrevocable, binding for all future employment under OPERS, and applies only to full years of service.

7. 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.

8. 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.

**MAYES COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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.

9. Sales Tax

On December 3, 1985, Mayes County voters approved a sales tax of one-quarter of one percent (1/4%) on a permanent basis. The revenue from the sales tax is designated in trust for the establishment and operation of an ambulance service for the people of Mayes County.

In addition, on December 3, 1985, a sales tax of three-eighths of one percent (3/8%) was approved on a permanent basis for allocation specifically for the construction, maintenance and improvement of the road system of Mayes County.

On November 5, 2002, voters approved a one-quarter of one percent (1/4%) sales tax on a permanent basis to be divided equally between fourteen fire departments in Mayes County, Oklahoma.

On October 14, 1997, voters approved one-half of one percent (0.5%) sales tax for the construction and maintenance of the Mayes County Jail. Three-eighths of one percent (0.375%) shall be used to pay the indebtedness incurred by the Mayes County Criminal Justice Authority to construct and equip the jail facility, and one-eighth of one percent (.125) shall continue on a permanent basis to be used for the maintenance and operation of the jail facility.

On February 12, 2005, the voters approved to use the three-eighths of one percent used to construct and equip the jail facility, (on the payment in full of said indebtedness) to pay the debt service on bonds or notes issued by the Mayes County Public Facility Authority to acquire, construct and equip the Mayes County Courthouse Facility and for payment of operation and maintenance expenses on said county courthouse facility, payment of improvements for other county facilities and acquisition of land and construction of additional parking for the new county courthouse. The sales tax terminates at the earliest possible date that revenues are sufficient to retire said bonds or notes.

10. Transfers In

A residual equity transfer of \$62,635 was transferred from the Excess Resale Property Fund to the Resale Property Fund as authorized by 68 O.S. § 3131. Transfers do not include the Excess Resale Proper Fund, which is not presented on the County's Combined Statement of Receipts, Disbursements, and Changes in Cash Balances. The County also transferred \$1 from Free Fair Improvement to the General Fund to close the account.

**MAYES COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

11. Restatement of Prior Year Ending Balance

Due to the reclassification of funds for fiscal year ending June 30, 2007, the ending balance as reported is different than the June 30, 2008, beginning balance. The difference is due to the Flood Plain Board Fund being reported as a trust and agency fund in fiscal year 2007, which should have been classified as a county fund, resulting in an increase of \$740. Furthermore, the Cops Grant Fund ending balance, as reported, is different than the June 30, 2008, beginning balance.

Prior Year Ending Balance as Reported	\$6,607,980
Funds Reclassified as County Funds	740
Cops Grant Fund error adjustment	<u>(1)</u>
Prior Year Ending Balance as Restated	<u>\$6,608,719</u>

OTHER SUPPLEMENTARY INFORMATION

MAYES 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, 2008

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 1,775,347	\$ 1,775,347	\$ 1,775,347	\$ -
Less: Prior Year Outstanding Warrants	(135,679)	(135,679)	(135,654)	25
Less: Prior Year Encumbrances	(204,008)	(204,008)	(189,076)	14,932
Beginning Cash Balances, Budgetary Basis	<u>1,435,660</u>	<u>1,435,660</u>	<u>1,450,617</u>	<u>14,957</u>
Residual Equity Transfer In	<u>-</u>	<u>-</u>	<u>1</u>	<u>1</u>
Receipts:				
Ad Valorem Taxes	2,230,704	2,230,704	2,105,475	(125,229)
Charges for Services	186,173	186,173	212,425	26,252
Intergovernmental Revenues	513,779	513,779	1,078,423	564,644
Sales Tax	1,809,024	1,809,024	2,176,737	367,713
Miscellaneous Revenues	227,040	432,447	332,249	(100,198)
Total Receipts, Budgetary Basis	<u>4,966,720</u>	<u>5,172,127</u>	<u>5,905,309</u>	<u>733,182</u>
Expenditures:				
County Sheriff	898,056	909,296	899,226	10,070
Total County Sheriff	<u>898,056</u>	<u>909,296</u>	<u>899,226</u>	<u>10,070</u>
County Treasurer	171,075	171,075	170,897	178
Total County Treasurer	<u>171,075</u>	<u>171,075</u>	<u>170,897</u>	<u>178</u>
County Commissioners-OSU Extension	28,515	28,515	28,515	
Total County Commissioners-OSU Extension	<u>28,515</u>	<u>28,515</u>	<u>28,515</u>	<u>-</u>
County Clerk	223,747	232,847	213,698	19,149
Total County Clerk	<u>223,747</u>	<u>232,847</u>	<u>213,698</u>	<u>19,149</u>
Court Clerk	159,075	159,075	159,075	
Total Court Clerk	<u>159,075</u>	<u>159,075</u>	<u>159,075</u>	<u>-</u>
County Assessor	136,331	136,331	135,327	1,004
Total County Assessor	<u>136,331</u>	<u>136,331</u>	<u>135,327</u>	<u>1,004</u>
County Commissioners	197,774	197,774	184,860	12,914
Total County Commissioners	<u>197,774</u>	<u>197,774</u>	<u>184,860</u>	<u>12,914</u>

The accompanying notes to the other supplementary information are an integral part of this schedule.
See independent auditor's report.

MAYES 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, 2008

	Original Budget	Final Budget	Actual	Variance
Revaluation of Real Property	278,405	278,405	266,221	12,184
Total Revaluation of Real Property	278,405	278,405	266,221	12,184
General Government	832,006	854,816	356,315	498,501
Total General Government	832,006	854,816	356,315	498,501
Excise-Equalization Board	3,500	3,500	2,384	1 116
Total Excise-Equalization Board	3,500	3,500	2,384	1,116
County Election Board	80,126	82,379	73,909	8,470
Total County Election Board	80,126	82,379	73,909	8,470
Insurance	739,675	762,315	653,943	108 372
Total Insurance	739,675	762,315	653,943	108,372
County Purchasing Agent	32,444	39,136	32,260	6 876
Total County Purchasing Agent	32,444	39,136	32,260	6,876
Charity	300	300		300
Total Charity	300	300	-	300
Recording Agent	10,000	10,000	9,825	175
Total Recording Agent	10,000	10,000	9,825	175
MESTA	794,193	794,192	794,192	
Total MESTA	794,193	794,192	794,192	-
Highway Budget Account	1,763,037	1,892,740	1,559,318	333 422
Total Highway Budget Account	1,763,037	1,892,740	1,559,318	333,422
County Audit Budget Account	37,918	37,918	5,292	32 626
Total County Audit Budget Account	37,918	37,918	5,292	32,626

The accompanying notes to the other supplementary information are an integral part of this schedule.
See independent auditor's report.

MAYES 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, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Free Fair Budget	16,203	17,173	16,148	1,025
Total Free Fair Budget	<u>16,203</u>	<u>17,173</u>	<u>16,148</u>	<u>1,025</u>
Total Expenditures, Budgetary Basis	<u>6,402,380</u>	<u>6,607,787</u>	<u>5,561,405</u>	<u>1,046,382</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	1,794,522	<u>\$1,794,522</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			418,158	
Add: Current Year Outstanding Warrants			<u>133,124</u>	
Ending Cash Balance			<u>\$ 2,345,804</u>	

The accompanying notes to the other supplementary information are an integral part of this schedule.
See independent auditor's report.

**MAYES 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, 2008**

	County Health Department Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 192,163	\$ 192,163	\$ 192,163	\$ -
Less: Prior Year Outstanding Warrants	(2,017)	(2,017)	(2,017)	
Less: Prior Year Encumbrances	(14,701)	(14,701)	(13,573)	1,128
Beginning Cash Balances, Budgetary Basis	<u>175,445</u>	<u>175,445</u>	<u>176,573</u>	<u>1,128</u>
Receipts:				
Ad Valorem Taxes	288,236	288,236	315,927	27,691
Charges for Services		10,090	10,050	(40)
Intergovernmental Revenue			376	376
Total Receipts, Budgetary Basis	<u>288,236</u>	<u>298,326</u>	<u>326,353</u>	<u>28,027</u>
Expenditures:				
Health and Welfare	<u>463,681</u>	<u>473,771</u>	<u>325,204</u>	<u>148,567</u>
Total Expenditures, Budgetary Basis	<u>463,681</u>	<u>473,771</u>	<u>325,204</u>	<u>148,567</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	177,722	<u>\$ 177,722</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			4,551	
Add: Current Year Outstanding Warrants			5,121	
Ending Cash Balance			<u>\$ 187,394</u>	

The accompanying notes to the other supplementary information are an integral part of this schedule.
See independent auditor's report.

**MAYES COUNTY, OKLAHOMA
DETAILED SCHEDULE OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES—SINKING FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Beginning Cash Balance	<u>\$ 1</u>
Receipts:	
Total Receipts	<u>-</u>
Disbursements:	
Total Disbursements	<u>-</u>
Ending Cash Balance	<u><u>\$ 1</u></u>

The accompanying notes to the other supplementary information are an integral part of this schedule.
See independent auditor's report.

**MAYES COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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. Sinking Fund Schedule

Debt service receipts are derived generally from interest earned on investments of cash not immediately required for debt service payments.

See independent auditor's report.

**MAYES COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
<u>U.S. DEPARTMENT OF DEFENSE</u>			
Direct Grant:			
Payments to States in Lieu of Real Estate Taxes	12.112		\$ 36,564
Total U.S. Department of Defense			<u>36,564</u>
<u>U.S. DEPARTMENT OF INTERIOR</u>			
Direct Grant:			
Payments in Lieu of Taxes	15.226		29,238
Total U.S. Department of Interior			<u>29,238</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Direct Grant:			
Youth Gang Prevention	16.544	2006-JX-FX-0140	150,000
Total U.S. Department of Justice			<u>150,000</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Passed Through the Oklahoma Department of Emergency Management:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		718,155
Law Enforcement Terrorism Prevention Program	97.074		25,960
Emergency Management Performance Grants	97.042		15,425
Total U.S. Department of Homeland Security			<u>759,540</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Passed Through the Oklahoma Department of Emergency Management:			
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703		2,000
Total U.S. Department of Transportation			<u>2,000</u>
Total Expenditures of Federal Awards			<u><u>\$ 977,342</u></u>

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

**MAYES COUNTY, OKLAHOMA
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Basis of Presentation

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

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405-521.3495 • Fax: 405-521.3426

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

TO THE OFFICERS OF
MAYES COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Mayes County, Oklahoma, as of and for the year ended June 30, 2008, which comprises Mayes County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated December 7, 2011. Our report on the basic financial statement was adverse because the statement is not a presentation in conformity with accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in internal control described in the accompanying schedule of findings and questioned costs to be material weaknesses in internal control over financial reporting. 2008-9, 2008-11

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting, 2008-1, 2008-2, 2008-3, 2008-4, 2008-5, 2008-7, and 2008-8

Compliance and Other Matters

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

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

Mayes 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 Mayes County's response and, accordingly, we express no opinion on it.

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 long horizontal flourish extending to the right.

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

December 7, 2011



Oklahoma State Auditor & Inspector

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

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

TO THE OFFICERS OF
MAYES COUNTY, OKLAHOMA

Compliance

We have audited the compliance of Mayes 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 Mayes County's major federal program for the year ended June 30, 2008. Mayes 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 Mayes County's management. Our responsibility is to express an opinion on Mayes 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 Mayes 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 Mayes County's compliance with those requirements.

As described in items 2008-13 and 2008-16, in the accompanying schedule of findings and questioned costs, Mayes County did not comply with requirements regarding Allowable Costs/Cost Principles and Special Tests and Provisions that are applicable to its Disaster Grants – Public Assistance (Presidentially Declared Disasters) Program. Compliance with such requirements is necessary, in our opinion, for Mayes County to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the County, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2008.

Internal Control Over Compliance

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

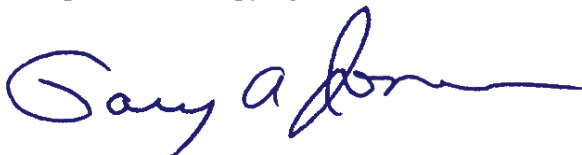
Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance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

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 2008-12 and 2008-14 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs, as item 2008-15 to be a significant deficiency.

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

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

A handwritten signature in blue ink, appearing to read "Gary A. Jones".

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

December 7, 2011

**MAYES COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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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? Yes

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

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

Identification of Major Programs

CFDA Number(s)

97.036

Name of Federal Program or Cluster

Disaster Grants - Public Assistance
(Presidentially Declared Disasters)

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

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

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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 2008-1 – Disaster Recovery Plan

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

- Guidelines on how to use the recovery plan;
- Emergency procedures to ensure the safety of all affected staff members;
- Roles and responsibilities of information services function, vendors providing recovery services, users of services and support administrative personnel;
- Listing of systems requiring alternatives (hardware, peripherals, software);
- Listing of highest to lowest priority applications, required recovery times and expected performance norms;
- Various recovery scenarios from minor to loss of total capability and response to each in sufficient detail for step-by-step execution;
- Specific equipment and supply needs are identified such as high speed printers, signatures, forms, communications equipment, telephones, etc., and a source and alternative source defined;
- Training and/or awareness of individual and group roles in continuity plan;
- Listing of contracted service providers;
- Logistical information on location of key resources, including back-up site for recovery operating system, applications, data files, operating manuals and program/system/user documentation;
- Current names, addresses, telephone/pager numbers of key personnel;
- Business resumption alternatives for all users for establishing alternative work locations once IT resources are available.

COBIT DS4.4 IT Continuity Plans states:

Encourage IT management to define and execute change control procedures to ensure that the IT continuity plan is kept up to date and continually reflects actual business requirements. Communicate changes in procedures and responsibilities clearly and in a timely manner.

Condition: During our test work of information systems the following was revealed:

- The Treasurer, County Clerk, and Assessor do not have a written Disaster Recovery Plan that addresses how critical information and systems would be restored in the event of a disaster.

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Effect: The failure to have a formal or updated Disaster Recovery Plan could result in the County being unable to function in the event of a disaster.

Recommendation: OSAI recommends the Treasurer, County Clerk and Assessor develop a Disaster Recovery Plan. The County should study and act on different proposals to ensure that backup tapes of all records in the County are stored in a safe, secure and remote location, off the premises from the courthouse, where information could be easily retrieved by authorized personnel in the event of a disaster. OSAI further recommends that prior to storage, all backup data be tested to determine the data is reliable and working.

Management Response:

Rita Littlefield, Mayes County Clerk

I feel that we are as prepared as possible for a disaster recovery program. I have not designated one employee to be responsible for any specific duty, due to the fact, I have no idea which employees will be available to assist us in recovery. My entire office knows who to contact for the necessary recovery of our records. Our records are microfilmed on an ongoing basis and this film is stored in Kansas City. We do a daily backup and these discs are stored offsite at our county fairgrounds. Our "IT" provider also does a daily backup which they maintain for us.

Finding 2008-2 – Inactivity of Computers

Criteria: According to the standards of the Information Systems Audit and Control Association (CobiT 4.1, Delivery and Support, 5.3 Identity Management) information services function management should ensure that all users (internal, external and temporary) and their activity on IT systems (business application, IT environment, system operations, development and maintenance) are uniquely identifiable. Enable user identities via authentication mechanisms. Confirm that user access rights to systems and data are in line with defined and documented business needs and that job requirements are attached to user identities. Ensure that user access rights are requested by user management, approved by system owners and implemented by the security-responsible person. Maintain user identities and access rights in a central repository. Deploy cost-effective technical and procedural measures, and keep them current to establish user identification, implement authentication and enforce access rights.

Condition: Computers in the Assessor's Office are password protected, but they do not prohibit users to access information after periods of inactivity.

Effect: This condition exposes computers to unauthorized access, and increases the opportunities for misuse of county assets.

Recommendation: OSAI recommends that computers are set to require a password to sign into the computer after a period of inactivity.

Management Response: Management did not respond.

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Finding 2008-3 – Bank Reconciliations

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

Condition: On the bank statement reconciliations there was no indication of a review by someone other than the preparer.

Effect: This condition could result in unrecorded transactions and undetected errors.

Recommendation: OSAI recommends that someone other than the preparer review the work to ensure that the reconciliations are being performed properly and there are no errors in the calculations.

Management Response: Management did not respond.

Finding 2008-7 - Payroll Timesheets (Repeat Finding)

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, all timesheets should be approved by a supervisor or elected official.

Condition: A review of timesheets revealed two Sheriff's office employees were approving their own timesheets.

Effect: This condition could result in undetected errors and improprieties.

Recommendation: OSAI recommends a supervisor or elected official approve all employee timesheets.

Management Response: Management did not respond.

Finding 2008-8 – Payroll – New Hires and Terminations (Repeat Finding)

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, written documentation of hiring and/or termination of an employee should be submitted to the payroll clerk.

Condition: The payroll clerk is verbally notified of any new hires and terminations and the effective hire and termination dates.

Effect: This condition could result in the misappropriation of assets through unauthorized payments and benefits.

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Recommendation: OSAI recommends the payroll clerk be given written notification of all payroll transactions.

Management Response:

Rita Littlefield, Mayes County Clerk

We now require a “payroll change” form from each office when there is a change with their personnel. We require these change forms for new hires, terminations, and pay rates.

Finding 2008-9 – Segregation of Duties – Payroll

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, key duties and responsibilities should be segregated among different individuals to reduce the risk of error or fraud. No one individual should have the ability to authorize transactions, have physical custody of assets, and record transactions.

Condition: A lack of segregation of duties exists in the Clerk’s office because one deputy is responsible for all payroll responsibilities and is the only employee who has the knowledge or access to run payroll.

Effect: 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 concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective controls lie in management’s overseeing of office operations and a periodic review of operations. 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:

Rita Littlefield, Mayes County Clerk

I have total confidence in my payroll clerk to perform her duties in a trustworthy manner. Once all payroll data is entered a payroll verification is printed. The data is checked with the timesheets and pay rates prior to actual warrants being printed. Every time a direct deposit is made to the bank, the payroll clerk and I receive an e-mail from the bank to verify that these funds have been received. If I received this notice at an out-of-the-ordinary time, it would definitely be an alert. I believe if there were additional employees trying to work on payroll it would complicate the procedure. Signing up a new employee consists of numerous steps that must be taken. As long as one person is following the procedure, they can be certain that every step has been taken. If you insert another party into this process, I feel there is a greater risk of error and fraud. Each officer approves the payroll claims for their employees and I feel it is their responsibility to verify who is being paid, how many employees they have, and check the wages

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each time they approve the claims. This is the officers' opportunity to verify what the payroll clerk has prepared.

Finding 2008-11 – Segregation of Duties (Repeat Finding)

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, key duties and responsibilities should be segregated among different individuals to reduce the risk of error or fraud. No one individual should have the ability to authorize transactions, have physical custody of assets, and record transactions.

Condition: A lack of segregation of duties exists in the Treasurer's office because all employees open mail, total remittances, receipt monies, mail billings, and prepare, sign, and post vouchers. All employees can change the tax penalty amount when a payment is made. These changes are not tracked. Furthermore, one employee receipts monies and performs the reconciliations for the general fund account on a daily and monthly basis.

Effect: 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 concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective controls lie in management's overseeing of office operations and a periodic review of operations. 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: Management did not respond.

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

Finding 2008-12—Internal Controls over Major Programs

PASS THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: United States Department of Homeland Security

CFDA NO: 97.036

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

FEDERAL AWARD NUMBER: 1678, 1712, 1735, 1752, and 1754

FEDERAL AWARD YEAR: 2008

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CONTROL CATEGORY: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Procurement and Suspension and Debarment, and Special Tests and Provisions
QUESTIONED COSTS: \$-0-

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

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

Condition: 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; Allowable Costs; Cash Management; Procurement, Suspension, and Debarment; and Special Tests and Provisions.

Effect: 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: Management did not respond.

Finding 2008-13 – Federal Awards – Documentation of Federal Expenditures

PASS THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: United States Department of Homeland Security

CFDA NO: 97.036

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

FEDERAL AWARD NUMBER: 1752, 1754

FEDERAL AWARD YEAR: 2008

CONTROL CATEGORY: Allowable Costs/Cost Principles

QUESTIONED COSTS: \$87,859

Criteria: OMB Circular A-87 C.1.j. states:

1. Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria:
 - j. Be adequately documented.

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

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

Condition: When performing test work of the County's projects, it was noted that there was no documentation to support the federal monies disbursed on disaster #1752 and disaster #1754 for District 2 for the following project worksheets.

Disaster #	Category	PW Number	Project Amount	Federal Share
1752	C	215	1,318.71	989.03
1752	C	212	3,582.57	2,686.93
1752	C	214	1,166.52	874.89
TOTAL 1752			\$6,067.80	\$4,550.85
1754	C	501	1,335.12	1,001.34
1754	C	502	1,168.06	876.05
1754	C	503	1,188.94	891.71
1754	C	504	2,830.16	2,122.62
1754	C	505	3,562.93	2672.20
1754	C	506	1,215.52	911.64
1754	C	507	4,182.46	3,136.85
1754	C	508	1,778.38	1,333.79
1754	C	706	1,921.01	1,440.76
1754	C	707	1,686.99	1,265.24
1754	C	708	2,087.93	1,565.95
1754	C	709	1,265.61	949.21
1754	C	710	4,138.04	3,103.53
1754	C	711	8,123.64	6,092.73
1754	C	712	3,857.11	2,892.83
1754	C	713	7,114.86	5,336.15
1754	C	714	10,246.26	7,684.70
1754	C	716	19,237.61	14,428.21
1754	C	720	7,408.53	5,556.40
1754	C	722	1,875.31	1,406.48
1754	C	723	3,292.49	2,469.37
1754	C	724	6,797.60	5,098.20
1754	C	725	3,388.50	2,541.38

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1754	C	739	7,805.69	5,854.27
1754	C	740	1,123.02	842.27
1754	C	741	2,445.26	1,833.95
TOTAL 1754			\$111,077.03	\$83,307.83

Cause: County claims documentation was provided to FEMA and was either retained by FEMA or misplaced by the County.

Effect: District 2 was unable to document how they complied with the Allowable Costs/Cost Principles compliance requirement for these specific projects.

Recommendation: OSAI recommends that FEMA files be maintained for each FEMA project to provide evidence that the auditee is properly managing the federal awards and is in compliance with OMB Circular A-133's Compliance Requirements and OMB Circular A-87.

Management Response: Management did not respond.

Finding 2008-14 – FEMA – Schedule of Expenditures of Federal Awards

PASS THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: United States Department of Homeland Security

CFDA NO: 97.036

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

FEDERAL AWARD YEAR: 2008

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

QUESTIONED COSTS: \$-0-

Criteria: The County's management is responsible for establishing internal control procedures to prevent or detect misstatements in a timely manner. This includes preparation of the Schedule of Expenditures of Federal Awards (SEFA) and accompanying notes to the SEFA. Professional audit standards indicate that the external financial statement auditor cannot perform any part of management's control activities or be a component of the internal controls over financial reporting as this would impair their independence.

Further, *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.

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

Condition: The County has not designed and implemented formal internal controls for the reporting of its federal programs as required by OMB Circular A-133. Also, the County has not designed an accounting system or year-end process to accumulate and report its in-kind labor and equipment charges reported on the Schedule of Expenditures of Federal Awards.

Effect: This condition could result in misstatements on the Schedule of Expenditures of Federal Awards.

Recommendation: OSAI recommends the County establish internal controls to ensure all Federal awards are properly accounted for and reported on the Schedule of Expenditures of Federal Awards.

Management Response: Management did not respond.

Finding 2008-15 – County-Wide Controls

FEDERAL AGENCY: United States Department of Homeland Security

CFDA NO: 97.036

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

FEDERAL AWARD YEAR: 2008

CONTROL CATEGORY: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Matching, Period of Availability, Procurement and Suspension and Debarment, and Special Tests and Provisions

QUESTIONED COSTS: \$-0-

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

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.

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

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

Recommendation: OSAI recommends that the County implement a system of internal controls to provide reasonable assurance regarding the achievement of goals and objectives.

Management Response: Management did not respond.

Finding 2008-16 – Special Tests and Provisions

PASS THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: United States Department of Homeland Security

CFDA NO: 97.036

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

FEDERAL AWARD YEAR: 2008

CONTROL CATEGORY: Special Tests and Provisions

QUESTIONED COSTS: \$-0-

Criteria: OMB Circular A-133 Compliance Requirement N, Special Tests and Provisions states in part:

For large projects, the State is required to make an accounting to FEMA of eligible costs. Similarly, the sub grantee must make an accounting to the State. In submitting the accounting, the entity is required to certify that reported costs were incurred in performance of eligible work, that the approved work was completed, that the project is in compliance with the provisions of the FEMA-State Agreement, and that payments for that project were made in accordance with the 44 CFR section 13.21 payment provisions. For improved and alternate projects, if the total cost of the projects does not equal or exceed the approved eligible costs, then the auditor should expect to see an adjustment to reduce eligible costs (44 CFR section 206.205).

Condition: When performing test work of the County's large projects, it was noted that there was no documentation to support that the County had submitted the appropriate certification to Oklahoma Emergency Management to be in accordance with grant specifications.

Effect: The County was not in compliance with compliance requirements.

Recommendation: OSAI recommends, for all large FEMA projects, the County inform the Office of the Oklahoma Emergency Management periodically of the status of the project and obtain documentation for the file, as outlined in the Sub grant Application in order to comply with OMB Circular A-133 compliance requirements.

Management Response: Management did not respond.

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

Finding 2008-6 – Estimate of Needs

Criteria: The adopted budget is an expression of public policy and financial intent and is a method of providing controls over that intent. Effective internal controls as they relate to government entities financial reporting should assist in fulfilling government’s duty to be publicly accountable and should enable users access to that accountability by demonstrating whether resources were obtained and used in accordance with the entity’s adopted budget.

Condition: Our test work of the Estimate of Needs for the General Fund revealed that the outstanding warrants on the budget do not agree to the financial records.

Effect: This condition results in an incomplete and/or incorrect Estimate of Needs being approved by the Excise Board and results in the County being unable to present an accurate Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances – Budget and Actual – Budgetary Basis – General Fund.

Recommendation: OSAI recommends the financial records of the County be a true and accurate reflection of the County’s financial activity for the year.

Management Response: Management did not respond.

Finding 2008-10 – Inmate Trust Account (Repeat Finding)

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, receipts should be pre-numbered, issued in sequential order and deposited daily. Inmate trust disbursements should be supported by disbursement authorizations, signed by the individual inmates, and all checks written on this account should have two authorizing signatures.

An essential part of internal controls is the performance of a reconciliation of accounting records to bank records. The reconciliation is an important process in ensuring the accuracy of accounting records and ensuring that all monies are accounted for. Supervisory review is an integral part of ensuring that established office policies and procedures are being followed.

Condition: An examination of the inmate trust account revealed the following exceptions:

- Deposits were not made daily.
- Checks did not have two signatures.
- Disbursement authorization forms could not be located for four out of ten disbursements.
- Reconciliations were not prepared.

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- One disbursement to the Commissary Fund did not have supporting documentation or supervisory approval.

Effect: These conditions could result in undetected errors, unrecorded transactions, or misappropriation of funds.

Recommendation: OSAI recommends that deposits be made daily. Disbursements should be supported by authorizations and checks should have two signatures. Reconciliations should be performed monthly on the inmate trust account and be reviewed and approved by someone other than the preparer.

Management Response: Management did not respond.



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