

COUNTY AUDIT

MAYES COUNTY

For the fiscal year ended June 30, 2010



*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, 2010**

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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, 2010. 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 extending to the right.

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

**MAYES COUNTY, OKLAHOMA
FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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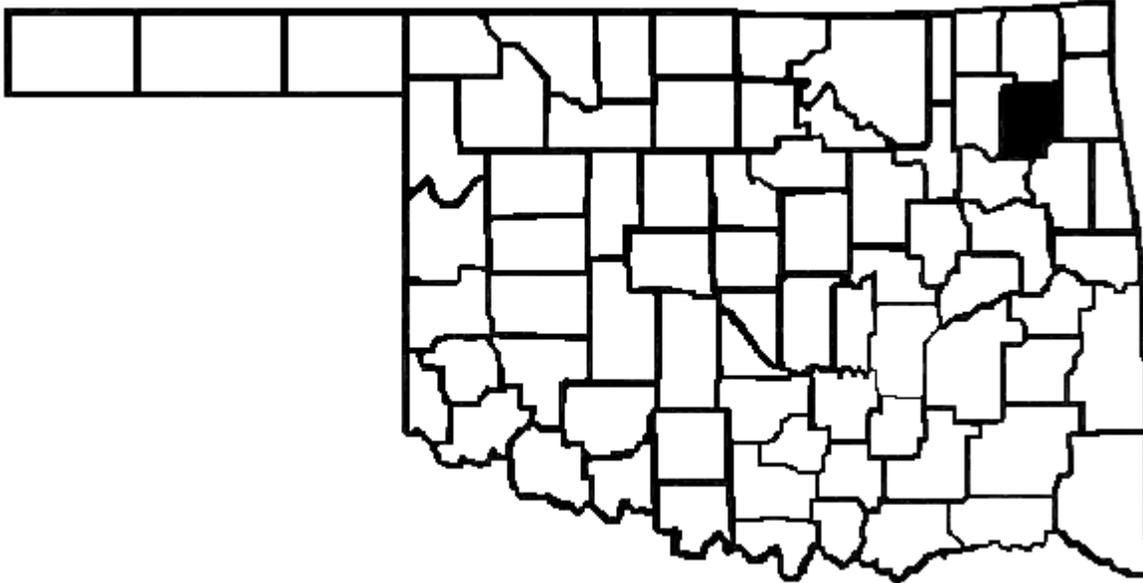
**MAYES COUNTY, OKLAHOMA
FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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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 Osage Indians. 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 – 39,627
(2007 est.)

Farms – 1,640

Land in Farms – 313,131 Acres

Primary Source: Oklahoma Almanac 2009-2010

See independent auditor's report.

**MAYES COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

COUNTY ASSESSOR

Lisa Melchior

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

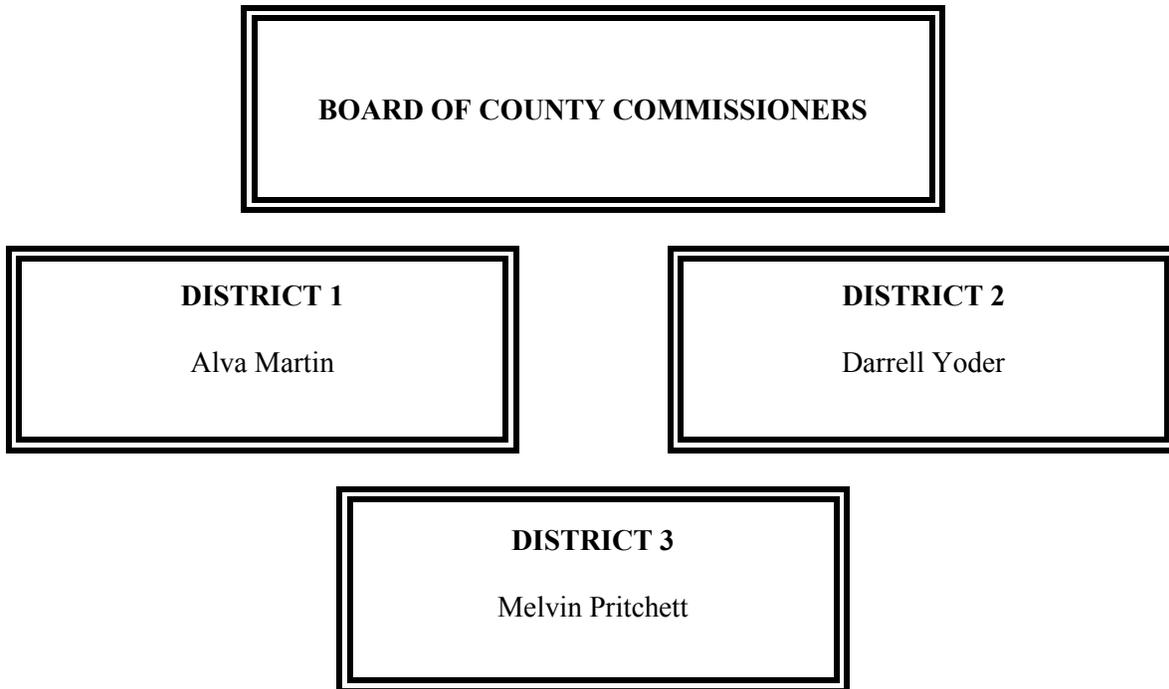
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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, 2010**



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, 2010**

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

Demecia Franklin

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, 2010**

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, 2010**

ELECTION BOARD SECRETARY

Jill McCullah

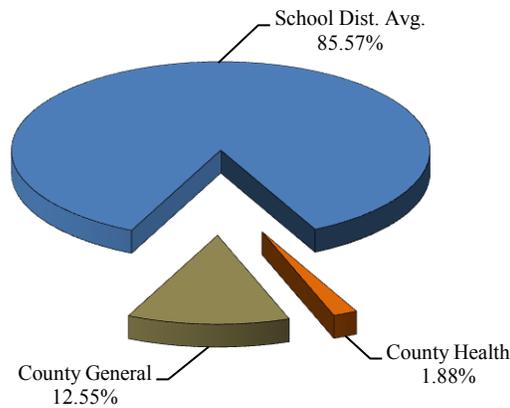
The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the county. The Board also conducts all elections held within 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, 2010**

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	Career Tech	Total
County General	10.33								
County Health	1.55								
		Pryor	I-01	35.79	5.11	13.21	4.13	11.33	69.57
		Adair	I-02	37.27	5.32	15.94	4.13	11.33	73.99
		Salina	I-16	36.18	5.17	23.18	4.13	11.33	79.99
		Locust Grove	I-17	36.47	5.21	25.27	4.13	11.33	82.41
		Spavinaw	D-21	35.99	5.14		4.13	11.33	56.59
		Chouteau-Mazie	I-32	36.07	5.15	5.81	4.13	11.33	62.49
		Wickliffe	D-35	36.46	5.21		4.13	11.33	57.13
		Osage	D-43	36.73	5.25	12.55	4.13	11.33	69.99
		Chelsea	R-3	37.00	5.29	19.10	4.13	11.33	76.85
		Inola	R-5	38.09	5.44	21.32	4.13	11.33	80.31
		Big Cabin (Vinita)	C-65	37.40	5.34	19.70	4.13	11.33	77.90
		Ketchum	C-6	36.15	5.16	3.08	4.13	11.33	59.85
		Disney (Jay)	D-1	35.79	5.11	12.43	4.13	11.33	68.79

See independent auditor's report.

**MAYES COUNTY, OKLAHOMA
COMPUTATION OF LEGAL DEBT MARGIN
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)**

Total net assessed value as of January 1, 2009		<u>\$ 253,500,467</u>
Debt limit - 5% of total assessed value		12,675,023
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	<u>2</u>	<u>-</u>
Legal debt margin		<u>\$ 12,675,023</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, 2010
(UNAUDITED)**

	2010
Estimated population	39,627
Net assessed value as of January 1, 2009	\$ 253,500,467
Gross bonded debt	-
Less available sinking fund cash balance	2
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, 2010
(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>
1/1/2009	\$66,492,751	\$19,233,943	\$179,048,108	\$11,274,335	\$253,500,467	\$2,263,397,027

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, 2010, 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, 2010, 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, 2010, 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. 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 at the end.

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, 2010**

	Beginning		Transfers In	Disbursements	Ending
	Cash Balances July 1, 2009	Receipts Apportioned			Cash Balances June 30, 2010
Combining Information:					
County General Fund	\$ 1,872,302	\$ 5,728,338	\$ -	\$ 6,339,450	\$ 1,261,190
Highway Cash	2,004,093	3,070,286		3,579,770	1,494,609
Firefighters Fund Sales Tax	1,244,599	841,842		890,903	1,195,538
County Health Department	252,494	397,314		302,139	347,669
Resale Property Fund	357,038	175,345	77,038	205,967	403,454
Sheriff Service Fee	483,541	450,298		668,500	265,339
Sheriff Revolving	340,463	222,599		190,328	372,734
Treasurer Mortgage Tax Certification Fee	5,668	9,445		9,990	5,123
Sheriff Community Service Sentencing Program	121,934	28,142		308	149,768
County Clerk Record Management & Preservation Fee	83,566	38,635		68,240	53,961
County Clerk Lien Fee	80,169	13,381		1,450	92,100
Mayes County Community Sentencing Program (MCCSP)	188,980	57,756		84,383	162,353
County Jail Sales Tax Revolving	84,578	396,541		450,303	30,816
Grant Fund		37,172		35,172	2,000
County Sinking	2				2
E-911 Fund	116,832	142,984		191,994	67,822
Wireless E-911	35,254	145,638		110,883	70,009
Assessor Revolving Fund	6,353	4,645		4,494	6,504
Public Facilities Authority Sales Tax	1,991,182	1,212,528		906,001	2,297,709
Sheriff Commissary Fund	46,386	133,454		106,535	73,305
Flood Plain Board	865	3,150		2,203	1,812
R-Violence Against Women Abuse		20,147		16,118	4,029
Violence Against Women Abuse	5,774	19,839		25,613	
Combined Total--All County Funds	\$ 9,322,073	\$ 13,149,479	\$ 77,038	\$ 14,190,744	\$ 8,357,846

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, 2010**

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 - accounts for the general operations of the government.

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

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.

**MAYES COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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 Fee – 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.

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

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.

**MAYES COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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.

R-Violence Against Women Abuse - revenues are from the federal government stimulus monies passed through the District Attorneys Council. Disbursements are for providing services to victims of domestic violence.

Violence Against Women Abuse - revenues are from the federal government passed through the District Attorneys Council. Disbursements are for providing services to victims of domestic violence.

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.

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.

**MAYES COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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, 2010**

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 scheduled for 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 approval of the elected official. 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 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, 2009, was approximately \$253,500,467.

**MAYES COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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 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, 2010, were approximately 98.52 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, 2010**

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 10.5% and 15.5% of earned compensation. Elected officials could contribute between 4.5% and 10% of their entire compensation. The County contributes 15.5% of earned compensation for elected officials. The County's contributions to the Plan for the years ending June 30, 2010, 2009, and 2008, were \$661,361, \$599,443, and \$509,626, 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, 2010**

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. Residual Equity Transfer

The County transferred \$77,038 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.

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, 2010

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 1,872,302	\$ 1,872,302	\$ 1,872,302	\$ -
Less: Prior Year Outstanding Warrants	(224,394)	(224,394)	(224,394)	
Less: Prior Year Encumbrances	(92,849)	(92,849)	(79,237)	13,612
Add: Estopped Warrants			2,021	2,021
Beginning Cash Balances, Budgetary Basis	<u>1,555,059</u>	<u>1,555,059</u>	<u>1,570,692</u>	<u>15,633</u>
Receipts:				
Ad Valorem Taxes	2,380,600	2,380,600	2,564,713	184,113
Charges for Services	148,295	148,295	190,296	42,001
Intergovernmental Revenues	571,509	833,632	1,629,370	795,738
Sales Tax	1,983,591	1,983,591	1,188,053	(795,538)
Miscellaneous Revenues	159,729	159,729	155,906	(3,823)
Total Receipts, Budgetary Basis	<u>5,243,724</u>	<u>5,505,847</u>	<u>5,728,338</u>	<u>222,491</u>
Expenditures:				
County Sheriff	957,580	976,811	953,875	22,936
Total County Sheriff	<u>957,580</u>	<u>976,811</u>	<u>953,875</u>	<u>22,936</u>
County Treasurer	131,688	131,888	119,950	11,938
Total County Treasurer	<u>131,688</u>	<u>131,888</u>	<u>119,950</u>	<u>11,938</u>
County Commissioners	217,876	217,976	201,731	16,245
Total County Commissioners	<u>217,876</u>	<u>217,976</u>	<u>201,731</u>	<u>16,245</u>
County Commissioners-OSU Extension	31,052	31,052	31,052	
Total County Commissioners-OSU Extension	<u>31,052</u>	<u>31,052</u>	<u>31,052</u>	<u>-</u>
County Clerk	196,103	205,553	184,091	21,462
Total County Clerk	<u>196,103</u>	<u>205,553</u>	<u>184,091</u>	<u>21,462</u>
Court Clerk	164,820	165,120	165,120	
Total Court Clerk	<u>164,820</u>	<u>165,120</u>	<u>165,120</u>	<u>-</u>
County Assessor	176,020	176,320	176,204	116
Total County Assessor	<u>176,020</u>	<u>176,320</u>	<u>176,204</u>	<u>116</u>
Revaluation of Real Property	223,052	223,052	217,017	6,035
Total Revaluation of Real Property	<u>223,052</u>	<u>223,052</u>	<u>217,017</u>	<u>6,035</u>

continued on next page

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, 2010**

continued from previous page

	Original Budget	Final Budget	Actual	Variance
General Government	684,290	728,339	411,970	316,369
Total General Government	684,290	728,339	411,970	316,369
Excise-Equalization Board	3,500	3,500	3,064	436
Total Excise-Equalization Board	3,500	3,500	3,064	436
County Election Board	74,257	79,387	73,636	5,751
Total County Election Board	74,257	79,387	73,636	5,751
Insurance	977,084	989,201	897,614	91,587
Total Insurance	977,084	989,201	897,614	91,587
County Purchasing Agent	33,632	33,732	33,574	158
Total County Purchasing Agent	33,632	33,732	33,574	158
Charity	300	300	300	
Total Charity	300	300	300	-
Recording Agent	12,000	12,000	10,716	1,284
Total Recording Agent	12,000	12,000	10,716	1,284
MESTA	891,952	891,952	846,891	45,061
Total MESTA	891,952	891,952	846,891	45,061
Highway Budget Account	1,952,580	2,123,726	1,835,158	288,568
Total Highway Budget Account	1,952,580	2,123,726	1,835,158	288,568
County Audit Budget Account	43,773	43,773		43,773
Total County Audit Budget Account	43,773	43,773	-	43,773
Free Fair Budget	27,224	27,224	27,050	174
Total Free Fair Budget	27,224	27,224	27,050	174
Total Expenditures, Budgetary Basis	6,798,783	7,060,906	6,189,013	871,893

continued on next page

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, 2010**

continued from previous page

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	1,110,017	<u>\$ 1,110,017</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			106,193	
Add: Current Year Outstanding Warrants			<u>44,980</u>	
Ending Cash Balance			<u>\$ 1,261,190</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, 2010

	County Health Department Fund			
	Original	Final	Actual	Variance
	Budget	Budget		
Beginning Cash Balances	\$ 252,494	\$ 252,494	\$ 252,494	\$ -
Less: Prior Year Outstanding Warrants	(23,085)	(23,085)	(23,085)	
Less: Prior Year Encumbrances	(2,210)	(2,210)	(1,123)	1,087
Beginning Cash Balances, Budgetary Basis	<u>227,199</u>	<u>227,199</u>	<u>228,286</u>	<u>1,087</u>
Receipts:				
Ad Valorem Taxes	357,205	368,708	384,831	16,123
Charges for Services			9,695	9,695
Intergovernmental Revenue			936	936
Miscellaneous Revenues			1,852	1,852
Total Receipts, Budgetary Basis	<u>357,205</u>	<u>368,708</u>	<u>397,314</u>	<u>28,606</u>
Expenditures:				
Health and Welfare	584,404	595,907	331,291	264,616
Total Expenditures, Budgetary Basis	<u>584,404</u>	<u>595,907</u>	<u>331,291</u>	<u>264,616</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	294,309	<u>\$ 294,309</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			33,475	
Add: Current Year Outstanding Warrants			19,885	
Ending Cash Balance			<u>\$ 347,669</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, 2010**

Beginning Cash Balance	<u>\$ 2</u>
Receipts:	
Total Receipts	<u>-</u>
Disbursements:	
Total Disbursements	<u>-</u>
Ending Cash Balance	<u><u>\$ 2</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, 2010**

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.

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
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, 2010, 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 responses, 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 responses to be material weaknesses in internal control over financial reporting. 2010-7 and 2010-8

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 responses to be significant deficiencies in internal control over financial reporting. 2010-1, 2010-2, 2010-3, 2010-4, 2010-5, 2010-6, 2010-11, and 2010-12

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 2 of the schedule of findings and responses contained in this report.

Mayes County's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. 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

**MAYES COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

SECTION 1—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 2010-1 – Disaster Recovery Plan (Repeat Finding)

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.

**MAYES COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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 2010-2 – Inactivity of Computers (Repeat Finding)

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.

**MAYES COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Finding 2010-3 – Bank Reconciliations (Repeat Finding)

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 2010-5 - 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 one Sheriff's office employee was approving their own timesheet.

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 2010-6 – 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.

**MAYES COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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 2010-7 – Segregation of Duties – Payroll (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 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 2010-8 – 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.

Finding 2010-11– FEMA – Schedule of Expenditures of Federal Awards (Repeat Finding)

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: 2010

CONTROL CATEGORY: All

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

Subpart C—Auditees

§ ____.300 Auditee responsibilities.

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The auditee shall:

- (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.
- (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § ____.310.

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 2010-12 - Activities Allowed and Unallowed, Allowable Costs and Cost Principles

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: 2010

CONTROL CATEGORY: Allowable Costs/Cost Principles

Criteria: OMB Circular A-87, Attachment A, Section C. Basic Guidelines (g and j) states in part:

1. Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria...:
 - g. Except as otherwise provided for in this Circular, be determined in accordance with generally accepted accounting principles;
 - j. Be adequately documented.

The FEMA P-323 Public Assistance Applicant Handbook, Chapter 9 – Documentation states:

Maintain accurate disbursement and accounting records to document work performed and the costs incurred. You are responsible for substantiating all costs and your records must be complete and organized.

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Condition: While reviewing supporting documentation (i.e. Project worksheets) for each disaster at District barns 1 and 2, we noted several hours were charged to force account labor and equipment for the same employees for the same days in excess of their actual timesheet hours. The following is the overage amount for each District:

	<u>Labor Hours</u>	<u>Equipment Hours</u>	<u>Total</u>
District 1	\$7,449.44	\$23,109.38	\$30,558.82
District 2	\$ 781.52	\$ 2,257.50	\$ 3,039.02

Effect: Force labor and equipment charges were not supported by adequate documentation.

Recommendation: OSAI recommends the County become familiar with Federal Regulations and Guidelines pertaining to Disaster Grants to ensure that grant funds are properly expended in accordance with grant requirements.

Management Response:

Alva Martin, County Commissioner, District 1

Concerning Disaster 1876, we had several of the FEMA worksheets completed when the FEMA representative came to our shop. The FEMA representative wanted all the information transferred to a newer version of the worksheet. The FEMA representative sat down with my assistant, helped her fill out all of the new paperwork and approved it. I don't know what happened but the employee hours that the FEMA representative had my assistant enter in the new worksheets were incorrect and reflected that some employees had worked too many hours and others not enough hours. Our original sheets reflect the hours actually worked by each employee and all the hours match our timesheets. They also show that we actually spent more money than we collected from FEMA. We have supplied you with copies of both, our timesheets and our original FEMA worksheets.

SECTION 2—This section contains certain matters not required to be reported in accordance with *Government Auditing Standards*. However, we believe these matters are significant enough to bring to management's attention. We recommend that management consider these matters and take appropriate corrective action.

Finding 2010-10 – 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

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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.
- 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.

Finding 2010-13 – Estimate of Needs (Repeat Finding)

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.

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Finding 2010-14 – Fixed Assets Inventory

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

The board of county commissioners in each county of this state shall take, or cause to be taken, an inventory of all working tools, apparatus, machinery and equipment belonging to the county or leased or otherwise let to it or to any department thereof, other than that which is affixed to and made a part of lands and buildings, the cost of which as to each complete working unit thereof is more than Five Hundred Dollars (\$500.00), and thereafter maintain or cause to be maintained a continuous inventory record... biennially thereafter, or oftener...

Condition: When comparing the inventory for District 3 to the inventory list on file with the County Clerk we found the following:

- Inventory list did not have the cost for 13 items;
- Two items on the list were not on hand;
- Nine items on hand had been removed from the inventory list. Resolutions for disposition of the items could not be located.

Effect: Inventory items were not accurately accounted for and the County's inventory may not be safeguarded.

Recommendation: OSAI recommends the equipment inventory information be periodically reviewed, reconciled, and updated to detect errors and to maintain an accurate inventory record. We also recommend that these inventories be documented and filed with the County Clerk.

Management Response: Management did not respond.



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