

**McINTOSH
COUNTY**

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2007**



**COUNTY
AUDIT**



Oklahoma State Auditor
& Inspector

**McINTOSH COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA
State Auditor

MICHELLE R. DAY, ESQ.
Chief Deputy



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December 29, 2010

TO THE CITIZENS OF
McINTOSH COUNTY, OKLAHOMA

Transmitted herewith is the audit of McIntosh County, Oklahoma for the fiscal year ended June 30, 2007. A report of this type is critical in nature; however, we do not intend to imply that our audit failed to disclose commendable features in the present accounting and operating procedures of the County.

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

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

Sincerely,

A handwritten signature in blue ink that reads "Steve Burrage".

STEVE BURRAGE, CPA
STATE AUDITOR & INSPECTOR

**McINTOSH COUNTY, OKLAHOMA
FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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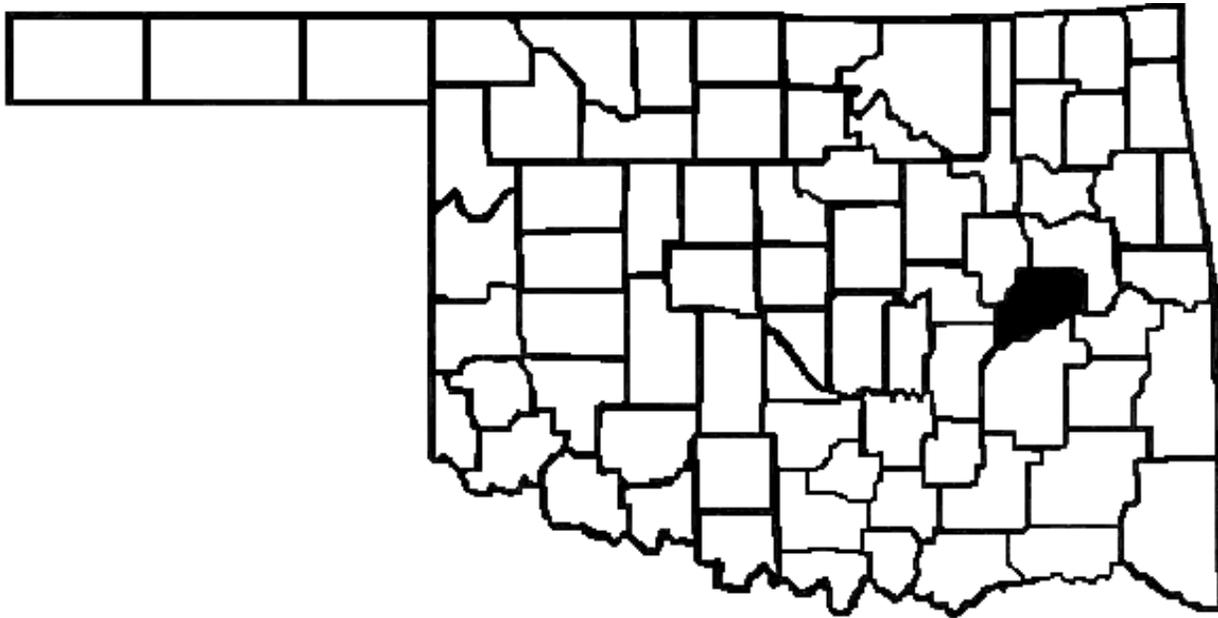
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**McINTOSH COUNTY, OKLAHOMA
FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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



Created at statehood from lands in the southern part of the Cherokee Nation, Indian Territory, McIntosh County was named for a well-known Creek family. The chief physical feature of the county is Lake Eufaula, which is comprised of 105,000 acres and is the largest body of water in Oklahoma.

The county seat, Eufaula, is located thirteen miles south of I-40 on U.S. 69. The Creeks immigrated into the area in 1836 and their influence is seen in names such as Eufaula, which comes from an old Creek town in Alabama called Yufala, “they split up here and went to other places.” The Asbury Mission Boarding School was established in 1849 by the Episcopal Church under a contract with the Creek Indian Council. Today it is the Eufaula Boarding School. The Indian Journal founded in 1876 and published in Eufaula, is the oldest surviving newspaper in the state. Tourism is the main industry in this area.

Checotah, established by the KATY railroad station, was named for a principal chief of the Creek Indians, Samuel Checote. The town, once a battleground where the Creek and Little Osage fought, is now a trade center for northern McIntosh and southwest Muskogee counties. It has a major clothing factory and an aluminum plant, and centers for ranching are located throughout the county.

For more information, call the county clerk’s office at (918) 689-2282.

County Seat – Eufaula

Area – 712.48 Square Miles

County Population – 19,965
(2005 est.)

Farms – 944

Land in Farms – 266,403 Acres

Primary Source: Oklahoma Almanac 2007-2008

See independent auditor’s report.

**McINTOSH COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

<p>COUNTY ASSESSOR Vickie Hamm Through September 2006 Jackie Lanham November 2006 to Present</p>

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.

<p>COUNTY CLERK Diana Curtis</p>

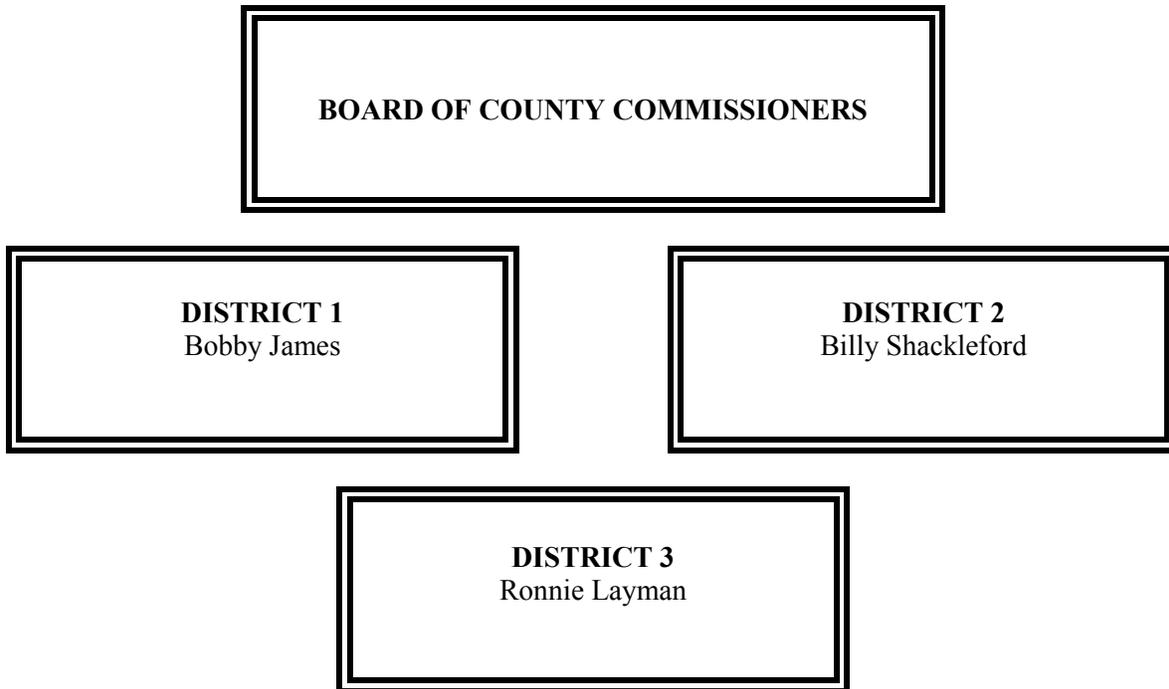
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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.

**McINTOSH COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**



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.

**McINTOSH COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

COUNTY SHERIFF
Terry Jones

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
Carol Lindley

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.

**McINTOSH COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

COURT CLERK
Carrie Pittman

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
Tom Giulioli

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.

**McINTOSH COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

ELECTION BOARD SECRETARY
Polly Williams

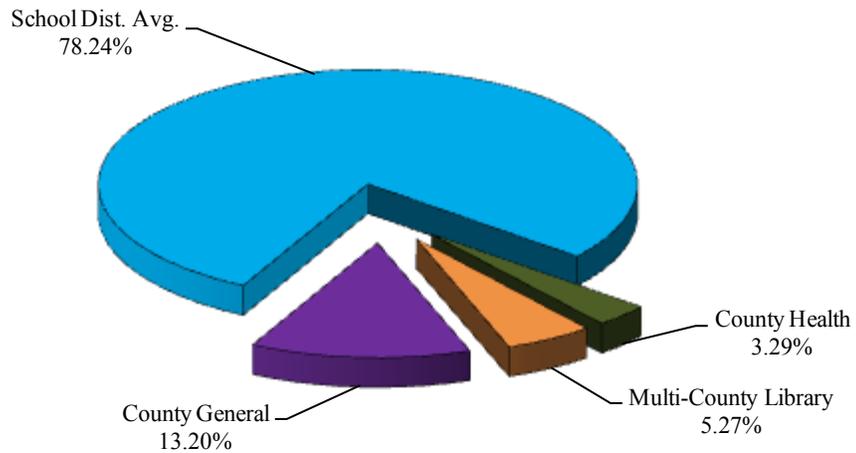
The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the county. The Board also conducts all elections held within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

**McINTOSH COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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.	Career Tech	Common	Total
County General	10.26								
County Health	2.56	Ryal	D-3	37.05	5.29			4.10	46.44
Multi-County Library	4.10	Stidham	D-16	37.44	5.35		12.37	4.10	59.26
		Eufaula	1-A	35.39	5.06	9.00	12.37	4.10	65.92
		Eufaula	1-B	35.39	5.06	9.00	12.37	4.10	65.92
		Checotah	19-A	35.70	5.10	10.77	10.37	4.10	66.04
		Checotah	19-B	35.70	5.10	10.77	10.37	4.10	66.04
		Midway	J-27	36.77	5.25	12.00	10.37	4.10	68.49
		Hanna	I-64	36.85	5.26		5.04	4.10	51.25
		Okmulgee	J-2	36.23	5.18	10.11		4.10	55.62
		Okmulgee	J-8	36.23	5.18	12.19	10.49	4.10	68.19
		Hughes	J-9	35.92	5.13	12.34	5.04	4.10	62.53
		Muskogee	J-74	35.09	5.01	12.12		4.10	56.32
		Okfuskee	J-31	35.00	5.00		5.04	4.10	49.14
		Okfuskee	J-32	36.44	5.21	20.05	5.04	4.10	70.84

See independent auditor's report.

**McINTOSH COUNTY, OKLAHOMA
COMPUTATION OF LEGAL DEBT MARGIN
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)**

Total net assessed value as of January 1, 2006		<u>\$ 78,062,038</u>
Debt limit - 5% of total assessed value		3,903,102
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	<u>30</u>	<u>-</u>
Legal debt margin		<u>\$ 3,903,102</u>

See independent auditor's report.

**McINTOSH COUNTY, OKLAHOMA
RATIO OF NET GENERAL BONDED DEBT TO ASSESSED
VALUE AND NET BONDED DEBT PER CAPITA
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)**

	2007
Estimated population	19,965
Net assessed value as of January 1, 2006	\$ 78,062,038
Gross bonded debt	-
Less available sinking fund cash balance	30
Net bonded debt	\$ -
Ratio of net bonded debt to assessed value	0.00%
Net bonded debt per capita	\$ -

See independent auditor's report.

**McINTOSH COUNTY, OKLAHOMA
ASSESSED VALUE OF PROPERTY
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(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>
1/1/2006	\$9,562,829	\$10,000,013	\$63,221,983	\$4,722,787	\$78,062,038	\$650,303,833

See independent auditor's report.

FINANCIAL SECTION

STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA
State Auditor

MICHELLE R. DAY, ESQ.
Chief Deputy



2300 N. Lincoln Boulevard State Capitol, Room 100 Oklahoma City, OK 73105-4801 Phone (405) 521-3495 Fax (405) 521-3426 www.sai.ok.gov

Independent Auditor's Report

TO THE OFFICERS OF
McINTOSH COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of McIntosh County, Oklahoma, as of and for the year ended June 30, 2007, listed in the table of contents as the basic financial statement. This financial statement is the responsibility of McIntosh 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 McIntosh County as of June 30, 2007, 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 McIntosh County for the year ended June 30, 2007, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2010, on our consideration of McIntosh 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.



STEVE BURRAGE, CPA
STATE AUDITOR & INSPECTOR

November 8, 2010

Basic Financial Statement

McINTOSH COUNTY, OKLAHOMA
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
(WITH COMBINING INFORMATION)
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Beginning Cash Balances July 1, 2006	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2007
Combining Information:				
General Fund	\$ 1,367,285	\$ 3,264,943	\$ 3,287,897	\$ 1,344,331
Sinking Fund	30			30
County Health	148,194	266,892	259,898	155,188
Highway Cash	700,881	2,960,756	2,651,214	1,010,423
HAVIR Cash Fund	1,142			1,142
County Assessor Fees Cash	38,918	8,185	6,879	40,224
Mortgage Tax Cash Fund	18,727	5,935	11,152	13,510
County Clerk's M&M Cash Fund	64,540	34,128	30,601	68,067
MCDA	8,861	62,921	62,921	8,861
RM&P	93,871	44,600	46,340	92,131
Community Service Cash Fund	29,488			29,488
COPS Cash Fund	283			283
Sheriff's Drug Buy Cash Fund	3,132			3,132
Lake Patrol Cash Fund	2,814	10,497	10,579	2,732
Trash Cop	500			500
Sheriff's Revolving Narcotic Cash	16,834	22,564	25,755	13,643
Sheriff's Board of Prisoners	20,363	33,685	39,677	14,371
Sheriff's Service Fee	41,760	156,939	143,245	55,454
Sheriff's Training Fund	168			168
Resale Cash Fund	208,445	83,395	98,811	193,029
EOP-Upgrade Grant	5			5
CDBG-Rural Water Dist. #9	1			1
REAP Hickory Hills	142			142
REAP Rentiesville	117			117
REAP Texanna Road Chip	419			419
REAP Vivian Fire Department	9,731			9,731
Storm Shelter Grant	1,143	3,734	3,711	1,166
Sheriff's Drug Share Cash Fund		10,041	8,895	1,146
Adult Drug Court Revolving Fund		38,245	30,200	8,045
Jail Use Tax Cash Fund		23,722		23,722
Combined Total - All County Funds	\$ 2,777,794	\$ 7,031,182	\$ 6,717,775	\$ 3,091,201

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

**McINTOSH COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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 McIntosh County, Oklahoma. The financial statement referred to includes only the primary government of McIntosh 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:

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

Sinking Fund – accounts for monies collected from ad valorem taxes for payment of bonds or judgments against the County. The County has no long-term debt and this balance will eventually be transferred to the general fund.

County Health – revenues are from ad valorem taxes, miscellaneous fees charged by the health department, and state and federal funds. Disbursements are for the operation of the county health department.

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

**McINTOSH COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

HAVIR Cash Fund – accounts for the collection and expenditure of monies by the Assessor as restricted by state statute for the visual inspection program.

County Assessor Fees Cash – revenues are from fees charged by the County Assessor. Disbursements are for any lawful expense of the Assessor’s office.

Mortgage Tax Cash Fund – revenues are from a fee for certifying mortgages. Disbursements are for any lawful expense of the Treasurer’s office.

County Clerk’s M&M Cash Fund – 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.

MCDA (McIntosh County Development Authority) – accounts for the collection and disbursement of funds used to improve public works throughout the County.

RM&P – revenues are from a fee charged by the County Clerk for recording instruments. Disbursements are for the maintenance and preservation of public records.

Community Service Cash Fund – accounts for the collection and disbursement of monies provided to the Sheriff’s office for individuals providing community service. The expenditures consist of items used for Community Service activities.

COPS Cash Fund – balance of a federal grant received for the payroll of Sheriff’s officers.

Sheriff’s Drug Buy Cash Fund – accounts for the collection of the Sheriff’s percentage of drug forfeiture.

Lake Patrol Cash Fund – accounts for the collection of monies from the Corp of Engineers for the payroll of a part time patrol officer.

Trash Cop – accounts for grant funds received from the State of Oklahoma for the enforcement of trash and litter laws.

Sheriff’s Revolving Narcotic Cash – accounts for the collection of drug money seized in crimes and forfeited to the Sheriff’s office via court order. Disbursements are made for any lawful expenditure of the Sheriff’s office.

Sheriff’s Board of Prisoners – accounts for the collection and disbursement of money supplied to the Sheriff’s office for the housing of prisoners for towns, tribes, and other counties. This money can be used for any lawful expenditure of the Sheriff’s office.

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

**McINTOSH COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Sheriff's Training Fund – accounts for the collection and disbursement of money supplied to the Sheriff's office for the training of officers.

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

EOP-Upgrade Grant – balance of grant funds not fully disbursed during the project.

CDBG Rural Water Dist. #9 – accounts for monies from a Community Development Block Grant provided for water system improvements for Rural Water District #9.

REAP Hickory Hills – revenues are from a State Rural Economic Action Plan Grant provided for a double chip and seal on Texanna Road (Hickory Hills Addition).

REAP Rentiesville – revenues are from a State Rural Economic Action Plan Grant provided for the purchase of equipment for the Rentiesville Fire Department.

REAP Texanna Road Chip – revenues are from a State Rural Economic Action Plan Grant provided for the road chipping of Texanna Road.

REAP Vivian Fire Department – revenues are from a State Rural Economic Action Plan Grant provided for the building of an addition to the Vivian Area Fire Protection Association Fire Station.

Storm Shelter Grant – accounts for grant monies collected and disbursed to residents of the County for the establishment of a storm shelter.

Sheriff's Drug Share Cash Fund – county share of Federal Drug Case from the U.S. Department of Justice.

Adult Drug Court Revolving Fund - accounts for funds collected and disbursed for the adult drug court.

Jail Use Tax Cash Fund – accounts for the use tax collected by the State of Oklahoma and disbursed to the County with funds to be used toward cost related to the new jail.

The County Treasurer collects and remits material amounts of intergovernmental revenues and ad valorem tax revenue for other budgetary entities, including multi-county library and school districts. 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.

**McINTOSH COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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 by fund, 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.

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

**McINTOSH COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

- 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

Vacation leave is accrued monthly, and employees may accumulate up to 5 days. Employees with 1 to 2 years of service earn 5 days per year. Employees with 3 to 10 years of service earn 10 days per year. Employees with 11 to 25 years of service earn 15 days per year, and employees with an excess of 25 years of service earn 20 vacation days per year. Upon separation, an employee will be paid for the balance of accrued vacation leave up to the accumulation limit.

All full-time employees are entitled to paid sick leave benefits of 10 days per year. Employees may accumulate up to 130 days of leave. Upon employment separation, an employee may not collect pay for accrued 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, 2006, was approximately \$78,062,038.

Per Article 10, § 8A, with the repeal of personal property tax, the millages with the adjustment factor are 10.26 mills for general fund operations, 2.56 mills for county health department, and 4.10 mills for multi-county library. 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.

**McINTOSH COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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, 2007, were approximately 96 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

The County is exposed to the various risks of loss shown in the following table:

Types of Loss	Method of Management	Risk of Loss Retained
General Liability <ul style="list-style-type: none"> • Torts • Errors and Omissions • Law Enforcement Officers' Liability • Vehicle 	The County participates in a public entity risk pool: Association of County Commissioners of Oklahoma-Self-Insurance Group. (See 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.
Physical Plant <ul style="list-style-type: none"> • Theft • Damage to Assets • Natural Disasters 		

ACCO-SIG – The pool operates as a common risk management and insurance program and is to be self-sustaining through member premiums. Each participating county chooses a \$10,000, \$25,000, or a \$50,000 deductible amount. The County has chosen a \$10,000 deductible for each insured event as stated in the County's "Certificate of Participation." The risk pool will pay legitimate claims in excess of the deductible amount for replacement value up to \$100,000 for property, and up to \$500,000 for general liability. The pool has acquired commercial reinsurance in the amount of \$1,000,000 to cover claims that exceed the pool's risk retention limits. Settled claims have not exceeded insurance coverage for each of the past three fiscal years. There have been no significant reductions in coverage from the prior fiscal year.

**McINTOSH COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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.

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 7.5% and 12.5% of earned compensation. Elected officials could contribute between 4.5% and 10% of their entire compensation. The County contributes 12.5% of earned compensation for elected officials. The County's contributions to the Plan for the years ending June 30, 2007, 2006, and 2005, were \$261,263, \$241,414, and \$201,649, respectively, equal to the required contributions for each year.

2.5% Step-Up. Members have the option to elect 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.

**McINTOSH COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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.

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

The voters of McIntosh County approved a 1% sales tax through a special election on June 11, 2002, that went into effect on August 14, 2002. This sales tax has an unlimited duration. The sales tax was established to provide revenue for the following: Senior Citizens Organizations-5.0%; Rural Fire Departments-10.0%; Office of Emergency Management-0.5%; OSU Extension Office-3.5%; McIntosh County Fair Board-2.0%; County Commissioners – M&O of Roads & Bridges-23.0%; County Clerk-5.0%; County Assessor-2.5%; County Treasurer-2.5%; Court Clerk-2.0%; County Sheriff-12.0%; County Government-19.0%; Maintenance & Repairs to McIntosh County Courthouse-7.0%; Library-5.0%; Collection Fee to Oklahoma Tax Commission-1.0%.

The voters of McIntosh County approved a one-half of one cent sales tax through a special election on May 9, 2006, with proceeds to be designated and used specifically for the acquisition of real property, construction, equipping, operating and maintaining a new McIntosh County Detention Facility and courthouse improvements. A portion of such sales tax, three-eighths of one cent shall have a limited duration of twenty years from the date of commencement, or until principal and interest upon indebtedness incurred on behalf of McIntosh County by the McIntosh County Public Facility Authority in furtherance of the County detention facility and courthouse improvements are paid in full, whichever occurs earlier; while the remaining portion of such sales tax, one-eighth of one cent, to continue for operation and maintenance expenses of the County detention facility until repealed by a majority of the electors of McIntosh County in an election called for the purpose of posing said proposition; making provisions separable; and declaring an emergency be approved.

OTHER SUPPLEMENTARY INFORMATION

McINTOSH 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, 2007

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 1,367,285	\$ 1,367,285	\$ 1,367,285	-
Less: Prior Year Outstanding Warrants	(197,508)	(197,508)	(197,508)	
Less: Prior Year Encumbrances	(77,989)	(77,989)	(77,103)	886
Beginning Cash Balances, Budgetary Basis	<u>1,091,788</u>	<u>1,091,788</u>	<u>1,092,674</u>	<u>886</u>
Receipts:				
Ad Valorem Taxes	739,559	739,559	800,037	60,478
Sales Tax	1,300,000	1,300,000	1,527,208	227,208
Charges for Services	137,400	137,400	362,425	225,025
Intergovernmental Revenues	285,466	497,142	499,722	2,580
Miscellaneous Revenues	30,000	30,000	75,551	45,551
Total Receipts, Budgetary Basis	<u>2,492,425</u>	<u>2,704,101</u>	<u>3,264,943</u>	<u>560,842</u>
Expenditures:				
District Attorney	10,000	10,000	7,693	2,307
Total District Attorney	<u>10,000</u>	<u>10,000</u>	<u>7,693</u>	<u>2,307</u>
County Sheriff	381,200	387,814	384,198	3,616
Capital Outlay	15,000	15,000	14,983	17
Total County Sheriff	<u>396,200</u>	<u>402,814</u>	<u>399,181</u>	<u>3,633</u>
County Treasurer	76,200	76,304	76,304	
Capital Outlay	50	50		50
Total County Treasurer	<u>76,250</u>	<u>76,354</u>	<u>76,304</u>	<u>50</u>
County Commissioners	24,200	11,000	8,340	2,660
Capital Outlay	7,500	4,500	3,418	1,082
Total County Commissioners	<u>31,700</u>	<u>15,500</u>	<u>11,758</u>	<u>3,742</u>
County Clerk	76,201	76,292	76,291	1
Total County Clerk	<u>76,201</u>	<u>76,292</u>	<u>76,291</u>	<u>1</u>
Court Clerk	46,800	208,774	207,733	1,041
Total Court Clerk	<u>46,800</u>	<u>208,774</u>	<u>207,733</u>	<u>1,041</u>
County Assessor	77,100	77,000	73,716	3,284
Total County Assessor	<u>77,100</u>	<u>77,000</u>	<u>73,716</u>	<u>3,284</u>
Revaluation of Real Property	178,600	162,950	162,263	687
Total Revaluation of Real Property	<u>178,600</u>	<u>162,950</u>	<u>162,263</u>	<u>687</u>
Litter Control		19,800	18,083	1,717
Total Litter Control	<u>-</u>	<u>19,800</u>	<u>18,083</u>	<u>1,717</u>
General Government	526,874	581,482	575,070	6,412
Total General Government	<u>526,874</u>	<u>581,482</u>	<u>575,070</u>	<u>6,412</u>
Excise-Equalization Board	10,000	10,000	8,392	1,608
Total Excise-Equalization Board	<u>10,000</u>	<u>10,000</u>	<u>8,392</u>	<u>1,608</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.

McINTOSH 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, 2007

continued from previous page

	Original Budget	Final Budget	Actual	Variance
County Election Board	43,446	44,344	41,281	3,063
Total County Election Board	43,446	44,344	41,281	3,063
Sales Tax Sheriff	195,509	195,509	185,584	9,925
Total Sales Tax Sheriff	195,509	195,509	185,584	9,925
Sales Tax Treasurer	58,800	58,800	38,707	20,093
Capital Outlay	735	735	519	216
Total Sales Tax Treasurer	59,535	59,535	39,226	20,309
Sales Tax County Clerk	143,700	143,744	141,766	1,978
Capital Outlay	13,189	13,145	4,107	9,038
Total Sales Tax County Clerk	156,889	156,889	145,873	11,016
Sales Tax County Assessor	51,266	53,703	42,664	11,039
Capital Outlay	5,000	2,100	659	1,441
Total Sales Tax County Assessor	56,266	55,803	43,323	12,480
Sales Tax Court Clerk	46,500	46,500	43,165	3,335
Capital Outlay	1,732	1,732	1,732	1,732
Total Sales Tax Court Clerk	48,232	48,232	43,165	5,067
Sales Tax OSU Extension	55,420	55,420	45,091	10,329
Capital Outlay	12,652	12,652		12,652
Total Sales Tax OSU Extension	68,072	68,072	45,091	22,981
Sales Tax General Government	296,375	296,375	244,852	51,523
Total Sales Tax General Government	296,375	296,375	244,852	51,523
Sales Tax Courthouse	240,552	240,552	167,541	73,011
Total Sales Tax Courthouse	240,552	240,552	167,541	73,011
Sales Tax Highway	401,230	384,005	376,151	7,854
Capital Outlay		17,225	2,452	14,773
Total Sales Tax Highway	401,230	401,230	378,603	22,627
Sales Tax Library	78,410	78,410	78,410	
Total Sales Tax Library	78,410	78,410	78,410	-

continued on next page

Sales Tax Fair Board	68,778	68,778	6,045	62,733
Total Sales Tax Fair Board	68,778	68,778	6,045	62,733
Sales Tax EMS	10,916	10,916	10,668	248
Total Sales Tax EMS	10,916	10,916	10,668	248
Sales Tax Senior Citizens	117,291	117,291	70,965	46,326
Total Sales Tax Senior Citizens	117,291	117,291	70,965	46,326

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

McINTOSH 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, 2007

continued from previous page

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Sales Tax Rural Fire	283,261	283,261	100,184	183,077
Total Sales Tax Rural Fire	<u>283,261</u>	<u>283,261</u>	<u>100,184</u>	<u>183,077</u>
Free Fair	14,000	14,000	13,996	4
Total Free Fair	<u>14,000</u>	<u>14,000</u>	<u>13,996</u>	<u>4</u>
County Audit Budget Account	15,726	15,726	15,726	
Total County Audit Budget Account	<u>15,726</u>	<u>15,726</u>	<u>15,726</u>	<u>-</u>
 Total Expenditures, Budgetary Basis	 <u>3,584,213</u>	 <u>3,795,889</u>	 <u>3,247,017</u>	 <u>548,872</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	 <u>\$ -</u>	 <u>\$ -</u>	 1,110,600	 <u>1,110,600</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			53,890	
Add: Current Year Outstanding Warrants			<u>179,841</u>	
Ending Cash Balance			<u>\$ 1,344,331</u>	

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

McINTOSH 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, 2007

	County Health Department Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 148,194	\$ 148,194	\$ 148,194	\$ -
Less: Prior Year Outstanding Warrants	(3,906)	(3,906)	(3,906)	
Less: Prior Year Encumbrances	(4,700)	(4,700)	(2,768)	1,932
Beginning Cash Balances, Budgetary Basis	<u>139,588</u>	<u>139,588</u>	<u>141,520</u>	<u>1,932</u>
Receipts:				
Ad Valorem Taxes	181,671	181,671	193,950	12,279
Miscellaneous Revenues		286,337	72,942	(213,395)
Total Receipts, Budgetary Basis	<u>181,671</u>	<u>468,008</u>	<u>266,892</u>	<u>(201,116)</u>
Expenditures:				
Health and Welfare	321,259	583,499	296,888	286,611
Capital Outlay		24,097	7,184	16,913
Total Expenditures, Budgetary Basis	<u>321,259</u>	<u>607,596</u>	<u>304,072</u>	<u>303,524</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	104,340	<u>\$ 104,340</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			32,793	
Add: Current Year Outstanding Warrants			18,055	
Ending Cash Balance			<u>\$ 155,188</u>	

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

**McINTOSH COUNTY, OKLAHOMA
DETAILED SCHEDULE OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES—SINKING FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Beginning Cash Balance	<u>\$</u> <u>30</u>
Receipts:	
Total Receipts	<u> </u> <u> </u> -
Disbursements:	
Total Disbursements	<u> </u> <u> </u> -
Ending Cash Balance	<u>\$</u> <u>30</u>

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

**McINTOSH COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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 a special ad valorem tax levy and from interest earned on investments of cash not immediately required for debt service payments.

**McINTOSH COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Expenditures</u>
<u>U.S. DEPARTMENT OF DEFENSE</u>			
Direct Grant:			
Payments to States in Lieu of Real Estate Taxes (Flood Control)	12.112		\$ 300
Total U.S. Department of Defense			<u>300</u>
<u>U.S. DEPARTMENT OF INTERIOR</u>			
Direct Grant:			
Payment in Lieu of Taxes	15.226		117,888
Total U.S. Department of Interior			<u>117,888</u>
<u>U.S. DEPARTMENT OF FEDERAL EMERGENCY MANAGEMENT</u>			
Passed through the Oklahoma Department of Civil			
Emergency Management:			
Disaster Grants - Public Assistance	97.036	FEMA-1678-DR	304,704
Disaster Grants - Public Assistance	97.036	FEMA-1707-DR	121,292
Hazard Mitigation Grant	97.039		3,734
Total U.S. Department of Federal Emergency Management			<u>429,730</u>
Total Expenditures of Federal Awards			<u>\$ 547,918</u>

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

**McINTOSH COUNTY, OKLAHOMA
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Summary of Significant Accounting Policies

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

A. Reporting Entity

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

B. Basis of Presentation

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

See independent auditor's report.

INTERNAL CONTROL AND COMPLIANCE SECTION

STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA
State Auditor

MICHELLE R. DAY, ESQ.
Chief Deputy



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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
McINTOSH COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of McIntosh County, Oklahoma, as of and for the year ended June 30, 2007, which comprises McIntosh County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated November 8, 2010. 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 McIntosh 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 the 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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies 2007-1, 2007-2, 2007-3, and 2007-4 described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 2007-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether McIntosh 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 McIntosh County, which are included in Section 4 of the schedule of findings and questioned costs contained in this report.

McIntosh County's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit McIntosh County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the management of the County and should not be used for any other purpose. This report is also a public document pursuant to the Oklahoma Open Records Act (51 O.S. § 24A.1 et seq.), and shall be open to any person for inspection and copying.



STEVE BURRAGE, CPA
STATE AUDITOR & INSPECTOR

November 8, 2010

STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA
State Auditor

MICHELLE R. DAY, ESQ.
Chief Deputy



2300 N. Lincoln Boulevard State Capitol, Room 100 Oklahoma City, OK 73105-4801 Phone (405) 521-3495 Fax (405) 521-3426 www.sai.ok.gov

Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

TO THE OFFICERS OF
McINTOSH COUNTY, OKLAHOMA

Compliance

We have audited the compliance of McIntosh County, Oklahoma, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. McIntosh County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of McIntosh County's management. Our responsibility is to express an opinion on McIntosh 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 McIntosh 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 McIntosh County's compliance with those requirements.

As described in items 2007-10, 2007-11, and 2007-13, in the accompanying schedule of findings and questioned costs, McIntosh County did not comply with requirements regarding Activities Allowed or Unallowed and Allowable Costs/Cost Principles that are applicable to its Disaster Grants – Public Assistance (97.036). Compliance with such requirements is necessary, in our opinion, for McIntosh 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 are applicable to each of its major federal programs for the year ended June 30, 2007. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2007-12, 2007-14, 2007-15, and 2007-16.

Internal Control Over Compliance

The management of McIntosh 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 McIntosh County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 McIntosh County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and others that we consider to be material weaknesses.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2007-9, 2007-10, 2007-11, 2007-12, 2007-13, 2007-14, 2007-15, and 2007-16 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider items 2007-10, 2007-11, and 2007-13 to be material weaknesses.

McIntosh County's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit McIntosh County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the management of the County and should not be used for any other purpose. This report is also a public document pursuant to the Oklahoma Open Records Act (51 O.S. § 24A.1 et seq.), and shall be open to any person for inspection and copying.



STEVE BURRAGE, CPA
STATE AUDITOR & INSPECTOR

November 8, 2010

**McINTOSH COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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 that are not considered to be material weaknesses? Yes

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

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?..... Yes
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? 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

<u>CFDA Number(s)</u> 97.036	<u>Name of Federal Program or Cluster</u> Disaster Grants - Public Assistance
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Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

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

**McINTOSH COUNTY, OKLAHOMA
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FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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 2007-1 - Segregation of Duties (Repeat Finding)

Criteria: Segregation of duties over asset custody, transaction authorization, bookkeeping and reconciliation is an important element of effective internal control over government assets and resources.

Condition: It was noted that asset custody, transaction authorization, bookkeeping, and reconciliations were not properly segregated to assure adequate internal control structure.

Effect: This condition could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of assets.

Recommendation: OSAI recommends management be aware of this condition and realize the concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view. The most effective controls lie in management's knowledge of County operations and periodic review of operations.

Views of responsible officials and planned corrective actions:

Carol Lindley, County Treasurer

I have reviewed SA&I's website (The Small Office Guide to Segregation of Duties: Receipting) and will try my best to implement these recommendations.

Finding 2007-2 – Disaster Recovery Plan-County Clerk and County Treasurer

Criteria: CobiT 4.1 DS4.1 states:

Develop a framework for IT continuity to support enterprise wide business continuity management using a consistent process. The objective of the framework should be to assist in determining the required resilience of the infrastructure and to drive the development of disaster recovery and IT contingency plans. The framework should address the organizational structure for continuity management, covering the roles, tasks, and responsibilities of internal and external service providers, their management and their customers, and the planning processes that create the rules and structures to document, test and execute the disaster recovery and IT contingency plans. The plan should also address items such as the identification of critical resources, noting key dependencies, the monitoring and reporting of the availability of critical resources, alternative processing, and the principles of backup and recovery.

**McINTOSH COUNTY, OKLAHOMA
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In addition, CobiT 4.1 DS4.2 states:

Develop IT continuity plans based on the framework and designed to reduce the impact of a major disruption on key business functions and processes. The plans should be based on risk understanding of potential business impacts and address requirements for resilience, alternative processing and recovery capability of all critical IT services. They should also cover usage guidelines, roles and responsibilities, procedures, communication processes, and the testing approach.

Condition: After obtaining the Disaster Recovery Plans for the offices of the County Treasurer and the County Clerk, it was noted that there was not a procedure addressing how critical information and systems would be restored in the event of a disaster. In addition, back-ups for the County Clerk's office are taken home with the County Clerk and one of her deputies. These back-ups are not stored in a fire-proof safe.

Effect: The failure to have a current Disaster Recovery Plan could result in the County being unable to function in the event of a disaster. The lack of a procedure addressing how critical information and or systems would be restored could cause significant problems in ensuring that County business could continue uninterrupted.

Recommendation: OSAI recommends the County develop a Disaster Recovery Plan that addresses how critical information and systems would be restored in the event of a disaster. The County Clerk should also store their back-ups in a safe, secure location, away from the courthouse, where information could be easily retrieved in the event of a disaster.

Views of responsible officials and planned corrective actions:

Carol Lindley, County Treasurer

I will work on creating a procedure that addresses how critical information and systems would be restored in the event of a disaster.

Diana Curtis, County Clerk

Kellpro is now doing a complete systems backup for my office. In addition, I have completed a procedure to address how critical information and systems would be restored in the event of a disaster.

Finding 2007-3 – IT Security-County Clerk and County Treasurer

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

**McINTOSH COUNTY, OKLAHOMA
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Condition: After interviewing the County Treasurer and the County Clerk it was noted that there doesn't appear to be adequate controls in place to safeguard data from unauthorized modification, loss or disclosure. The computers in the offices of the County Treasurer and the County Clerk do not automatically log off after periods of inactivity and employees do not log off or lock their systems when they are away from their desk.

Effect: Security for the computer, computer programs, and data could be compromised.

Recommendation: OSAI recommends the County work with their IT personnel or in conjunction with software vendors to put controls in place that will log off or lock computers after periods of inactivity or when the user is away from their computer.

Views of responsible officials and planned corrective actions:

Carol Lindley, County Treasurer

I will work with OSU on updating computers to log off after periods of inactivity and require password protection to get back on the system.

Diana Curtis, County Clerk

I have implemented a password protected screen saver for all of the systems in the County Clerk's office.

Finding 2007-4 - Timesheets/Leave Balances

Criteria: Effective internal controls include timesheets being prepared, reviewed for accuracy, and filed with the payroll department prior to payroll checks being issued. The County's Personnel Policy Handbook and Fair Labor Standards Act require that employees keep accurate records of time worked by employees, including sick, vacation, and compensatory time earned, taken, or paid.

Condition: During the payroll test work of one employee in each office, the following was noted:

- County Treasurer's Office
Leave balance summaries are not signed or dated by both the employee and supervisor, due to this office keeping them on the computer.
- County Sheriff's Office
No leave balances are kept.
We could not locate timesheets from July 2006 through April 2007 for this employee.
Timesheets are signed by the employee and supervisor, but not dated.
June timesheet was signed by the supervisor (Sheriff) before the month of June had ended.
- Court Clerk's Office
Employee's leave balance summary is kept on the computer and is not signed and dated by employee or supervisor at the end of each month.
June 2007 timesheet was signed, but not dated by supervisor.

**McINTOSH COUNTY, OKLAHOMA
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- District 1
District 1 works 4 days a week 10 hours per day. Holidays are counted as 8 hours. The additional 2 hours are not being accounted for and are needed to make up a 10 hour day.
- District 2
District 2 works 4 days a week 10 hours per day. Holidays are counted as 8 hours. The additional 2 hours are not being accounted for and are needed to make up a 10 hour day.
- District 3
District 3 works 4 days a week 10 hours per day. Holidays are counted as 8 hours. The additional 2 hours are not being accounted for and are needed to make up a 10 hour day.

On November 20 and 21 this employee took off comp time of 8 hours per day. It should have been 10 hours per day due to District 3 working 4 ten hour days.

- County Clerk's Office
Leave balance summaries are not signed or dated by both the employee and the supervisor due to it being kept on the computer.
- General Government
Leave balances are not kept on this employee.
- Election Board Office
Vacation time is given in full on anniversary instead of being accrued monthly in accordance with the personnel policy handbook. Sick leave is not being accrued on a monthly basis in accordance with the personnel policy.

Effect: This condition resulted in the County having inaccurate records or incomplete information.

Recommendation: OSAI recommends that all employees prepare timesheets with information of time worked, any leave taken during the month, overtime worked, and accumulated leave balances, in order to comply with the County's Personnel Policy Handbook and Fair Labor Standards Act. The completed timesheets should be submitted to the supervisor/elected official at least once per month and signed by both the employee and the supervisor/elected official. We further recommend that more care be taken in assuring timesheets are calculated properly, balances are transferred, and guidelines are followed as set forth in the McIntosh County Personnel Policy Handbook.

Views of responsible officials and planned corrective actions:

Carol Lindley, County Treasurer

The leave balance summaries have been attached to the timesheets since July 2006, and were initialed by the employee. I will, from this date forward, have them signed by both the employee and myself.

**McINTOSH COUNTY, OKLAHOMA
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Diana Curtis, County Clerk

The leave balance summaries are now signed and dated by both employee and employer.

Carole Hayes, Chief Clerk, Election Board

As of January 2008, we accrue all sick and annual leave on an hourly basis each month.

Carrie Pittman, Court Clerk

In 2007 we were keeping the balances of vacation, sick, and comp time on the computer. Since that time we have been printing off the monthly totals and having the employee and myself, the Court Clerk, sign both the time sheets and the print out of the monthly totals.

Kevin Ledbetter, County Sheriff

This audit was conducted on a previous administration. Leave balances are now kept each month. All timesheets are now signed by the employee and the Sheriff and are dated on the last day of the month or later.

Bobby James, District 1 County Commissioner

As a board of County Commissioners, we will account for the 2 hours needed to make up a 10 hour day on holidays and deduct 10 hours for leave for District 1. This has been corrected as of 10-13-2008.

Tim Pendley, District 2 County Commissioner

We look for the most efficient way to use our time. We always make up the 2 hours you say are not accounted for. We will try to identify it more clearly on the timesheets.

Ronnie Layman, District 3 County Commissioner

As a board of County Commissioners, we will account for the 2 hours needed to make up a 10 hour day on holidays and deduct 10 hours for leave.

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

Finding 2007-9 - Overtime Benefit Rate

FEDERAL AGENCY: Department of Homeland Security

CFDA NO: 97.036

FEDERAL PROGRAM NAME: Disaster Grants – Public Assistance

FEDERAL AWARD NUMBER: DR-1678 and 1707

FEDERAL AWARD YEAR: FY2007

CONTROL CATEGORY: A-Activities Allowed or Unallowed, B-Allowable Costs/Cost Principles.

QUESTIONED COSTS: \$1,902.52

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Criteria: In reference to the calculation of the percentage of retirement paid on an employee's salary, the Federal Emergency Management Agency's Public Assistance Guide states the following at Chapter 2, Page 45:

Because this measure varies widely, use only the percentage matched by the employer.

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

74 O.S. § 920A states:
Any county, county hospital, city or town, conservation district, circuit engineering district or any public or private trust in which a county, city or town participates and is the primary beneficiary, which is a participating employer and any eligible employee shall contribute to the System. The total employer and employee contributions shall be based on the allowable annual compensation as defined in paragraph (9) of Section 902 of this title. Except as provided for in this section, the employer shall not pay for the employee any of the employee contribution to the System.

74 O.S. § 902(9) states:
Compensation" means all salary and wages, as defined by the Board of Trustees, including amounts deferred under deferred compensation agreements entered into between a member and a participating employer, but exclusive of payment for overtime, payable to a member of the System for personal services performed for a participating employer but shall not include compensation or reimbursement for traveling, or moving expenses, or any compensation in excess of the maximum compensation level, provided:

In addition, in reference to the calculation of the percentage of health insurance paid on an employee's salary, the Federal Emergency Management Agency's Public Assistance Guide states the following at Chapter 2, Page 45:

This benefit varies by employee. Divide the amount paid by the applicant by the basic pay rate determined in Step 2.

Step 2: Determine the employee's basic hourly pay rate (annual salary/2080 hours).

Condition: McIntosh County used an overtime benefit rate that included a percentage for retirement and health insurance, which should only be paid in relation to base pay (or regular pay) only.

Effect: This resulted in an overcharge to the grant program for labor costs due to non-compliance with the grant guidelines.

Recommendation: OSAI recommends that McIntosh County comply with all grant guidelines when calculating cost for federal grant projects. The County should compute and use a benefit rate percentage based on actual benefits paid by the County on the employee's behalf. In addition, management should

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develop and implement controls to ensure that costs charged to the federal program are for allowable activities and are in compliance with all applicable requirements.

Views of responsible officials and planned corrective actions:

Bobby James, District 1 County Commissioner

As the board of County Commissioners, we will comply with all grant guidelines when calculating cost for federal grant projects. The cost for the year in question was calculated with the help of the FEMA project manager.

Tim Pendley, District 2 County Commissioner

The County will strive to be correct when calculating charges and benefits on projects.

Ronnie Layman, District 3 County Commissioner

As a board of County Commissioners, we will comply with all grant guidelines when calculating cost for federal grant projects. The cost used previously was calculated with the help of the project manager from FEMA.

OSAI Response: Management should review and follow written requirements issued in the FEMA Public Assistance Guide and follow-up on any discrepancies of instructions given by FEMA damage assessment contractors. Management should contact the granting agency to get further explanation of instructions and the grant requirements.

Finding 2007-10 - Non-Compliance with Grant Guidelines

FEDERAL AGENCY: Department of Homeland Security

CFDA NO: 97.036

FEDERAL PROGRAM NAME: Disaster Grants – Public Assistance

FEDERAL AWARD NUMBER: DR-1678 and 1707

FEDERAL AWARD YEAR: FY2007

CONTROL CATEGORY: A-Activities Allowed or Unallowed, B-Allowable Costs/Cost Principles

QUESTIONED COSTS: \$26,533.68

Criteria: The Federal Emergency Management Agency’s published Public Assistance Guide states at Chapter 2, Page 42:

Permanent Employees. For debris removal and emergency protective measures, only overtime labor is eligible, regardless of normal duties or assignments.

Guidelines allow for temporary employees who have been hired as a direct result of the disaster to perform eligible debris removal or emergency work related to the disaster.

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

Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the

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provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

Condition: McIntosh County expended \$425,997.72 in Disaster Grants – Public Assistance funding of which \$110,097.46 was classified as labor costs which included \$26,553.68 in questioned costs due to the following exceptions:

1. District 1 charged to PW#181 (Category A) labor costs of \$13,453.68 for regular hours worked by full time employees in relation to DR-1678 (January 2007 ice storm).
2. District 2 charged to PW#771 (Category A) labor costs of \$11,650.00 for regular hours worked by full time employees in relation to DR-1678 (January 2007 ice storm).
3. District 3 charged to PW#211 (Category B) labor costs of \$1,450.00 for regular hours worked by full time employees in relation to DR-1707 (May 2007 flood).

Effect: This resulted in an overcharge to the grant program for labor costs due to non-compliance with the grant guidelines.

Recommendation: OSAI recommends that McIntosh County comply with all grant guidelines when calculating costs for federal grant projects. These guidelines require that only overtime pay of full time employees be charged as labor cost to Category A-Debris Removal work and to Category B-Emergency Protection work. In addition, management should develop and implement controls to ensure that costs charged to the federal program are for allowable activities and are in compliance with all applicable requirements.

Views of responsible officials and planned corrective actions:

Bobby James, District 1 County Commissioner

We, as the board of County Commissioners of McIntosh County, will comply with all grant guidelines when calculating costs for federal grant projects. These costs that were used for the project in question were arrived at with the help of a FEMA project manager.

Tim Pendley, District 2 County Commissioner

The County's intent is to always be in compliance with grant guidelines. We will try to prevent this from happening again.

OSAI Response: Management should review and follow written requirements issued in the FEMA Public Assistance Guide and follow-up on any discrepancies of instructions given by FEMA damage assessment contractors. Management should contact the granting agency to get further explanation of instructions and the grant requirements.

**McINTOSH COUNTY, OKLAHOMA
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Finding 2007-11 – Supporting Documentation

FEDERAL AGENCY: Department of Homeland Security

CFDA NO: 97.036

FEDERAL PROGRAM NAME: Disaster Grants – Public Assistance

FEDERAL AWARD NUMBER: DR-1678 and 1707

FEDERAL AWARD YEAR: FY2007

CONTROL CATEGORY: A-Activities Allowed or Unallowed, B-Allowable Costs/Cost Principles

QUESTIONED COSTS: \$89,169.15

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

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.

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 Considerations 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 records of donated goods and services, if any.

Condition: McIntosh County expended \$425,997.72 in Federal Emergency Management Agency (FEMA) Disaster Grants – Public Assistance funding of which \$110,097.46 was classified as labor costs. This included \$56,125.62 undocumented labor costs and \$6,875.00 in undocumented debris disposal costs, or a total of \$63,000.62 in questioned costs due to lack of supporting documentation. Also, of the \$266,573.82 recorded equipment costs charged to this program, \$22,813.35 reflected equipment costs with duplicated documentation that was used as a cost for more than one project. It was also noted that \$3,355.18 of the \$43,157.14 charged as material costs for May 9 and May 10 represented duplicate charges to PW#213 and PW#217.

Effect: This resulted in an overcharge to the grant program for labor costs due to non-compliance with the grant guidelines.

Recommendation: OSAI recommends that McIntosh County maintain adequate supporting documentation to verify all costs charged to federal grant programs and that no costs be charged to more than one project. In addition, management should develop and implement controls to ensure that costs charged to the federal program are for allowable activities and are in compliance with all applicable requirements.

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Views of responsible officials and planned corrective actions:

Bobby James, District 1 County Commissioner

The Board of County Commissioners will maintain adequate documentation to verify all costs charged to federal grant programs and that no cost be charged to more than one project.

Tim Pendley, District 2 County Commissioner

The County will be more diligent in its documentation of its daily activity.

Ronnie Layman, District 3 County Commissioner

As a board of County Commissioners, we will maintain adequate supporting documentation to verify all cost charged to federal grant programs to prevent cost being charged to more than one project. We will implement controls to ensure that costs charged to the federal program are for allowable activities and are in compliance with all applicable requirements.

Finding 2007-12 - Equipment Rates Charged

FEDERAL AGENCY: Department of Homeland Security

CFDA NO: 97.036

FEDERAL PROGRAM NAME: Disaster Grants – Public Assistance

FEDERAL AWARD NUMBER: DR-1678 and 1707

FEDERAL AWARD YEAR: FY2007

CONTROL CATEGORY: A-Activities Allowed or Unallowed, B-Allowable Costs/Cost Principles

QUESTIONED COSTS: \$5,363.86

Criteria: The Federal Emergency Management Agency's published Public Assistance Guide states at Chapter 2, Page 48:

...reimbursable equipment rates typically include operation (including fuel), insurance, depreciation, and maintenance; however, they do not include the labor of the operator. Stand-by time for equipment is not eligible.

FEMA recognizes three types of equipment rates: FEMA rates, State rates, and Local rates.

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

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.

Condition: McIntosh County charged ten hours per day of equipment use for various pieces of equipment; however, the operator's time record indicated only 9.5 hours worked due to lunch. This resulted in an overcharge of equipment use in the amount \$1,980.86. In addition, although the County maintains a copy of the FEMA Equipment Rate Schedule within the grant files, the use of a wrong equipment rate resulted in an overcharge of \$3,383.00 for the use of equipment.

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Effect: This resulted in an overcharge to the grant program for equipment costs due to non-compliance with the grant guidelines.

Recommendation: OSAI recommends that McIntosh County comply with all grant guidelines when calculating cost for federal grant projects. The County should consistently record equipment in sufficient detail and trace each to the FEMA Equipment Rate Schedule in order to calculate an accurate cost. Time records should support the hours charged to the project in equipment costs, as well as labor. In addition, management should develop and implement controls to ensure that costs charged to the federal program are for allowable activities and are in compliance with all applicable requirements.

Views of responsible officials and planned corrective actions:

Bobby James, District 1 County Commissioner

As a board of County Commissioners, the time records will support the hours charged to the project in equipment costs, as well as labor. All costs charged to the federal programs will be in compliance.

Ronnie Layman, District 3 County Commissioner

As a board of County Commissioners, we will comply with all grant guidelines when calculating cost for federal grant projects. We will record equipment to comply with FEMA Equipment Rate Schedule for accurate cost and support labor hours with time records. We will implement controls to ensure costs charged to federal programs are allowable activities and applicable and are compliant with applicable requirements.

Finding 2007-13 – Inconsistent/Inaccurate Records

FEDERAL AGENCY: Department of Homeland Security

CFDA NO: 97.036

FEDERAL PROGRAM NAME: Disaster Grants – Public Assistance

FEDERAL AWARD NUMBER: DR-1678 and 1707

FEDERAL AWARD YEAR: FY2007

CONTROL CATEGORY: A-Activities Allowed or Unallowed, B-Allowable Costs/Cost Principles

QUESTIONED COSTS: \$ -0-

Criteria: The Federal Emergency Management Agency’s published Public Assistance Guide states at Chapter 2, Page 48:

...reimbursable equipment rates typically include operation (including fuel), insurance, depreciation, and maintenance; however, they do not include the labor of the operator. Stand-by time for equipment is not eligible.

FEMA recognizes three types of equipment rates: FEMA rates, State rates, and Local rates.

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

Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the

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provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

Safeguarding controls are an aspect of internal controls. Safeguarding controls relate to the prevention or timely detection of unauthorized transactions. Failure to perform tasks that are a part of internal controls, such as maintaining accurate records, is a deficiency in internal control.

Condition: The following exceptions were noted:

1. Labor for one employee reflected on cost documentation for PW#132 was recorded as work on a backhoe with a rate of \$28.50 per hour; however, Daily Activity Reports reflected this person operated a chainsaw with a rate of \$1.55 per hour resulting in an overcharge to FEMA of \$202.13.
2. District 1 recorded a rate of \$19.90 for some vehicles; however, FEMA corrected this rate to \$16.50.
3. DR-1707 PW#213 District 2 Category B Emergency Road Repair project records indicated 10 hours charged for dump truck equipment operated by a certain employee, but the related timesheet indicates vacation taken by this employee.

Effect: Inconsistency and inaccuracies in record keeping could result in questioned costs for the federal grant program.

Recommendation: OSAI recommend that McIntosh County comply with all grant guidelines when calculating costs for federal grant projects. The County should consistently and accurately maintain records and calculate costs. In addition, management should develop and implement controls to ensure that costs charged to the federal program are for allowable activities and are in compliance with all applicable requirements.

Views of responsible officials and planned corrective actions:

Bobby James, District 1 County Commissioner

McIntosh County will comply with all grant guidelines and accurately maintain records and calculate costs.

Tim Pendley, District 2 County Commissioner

When recording truck use, the office manager made a mistake and recorded the regular driver for that truck. We will work and correct this.

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Finding 2007-14 – Purchases/Maintenance & Repairs

FEDERAL AGENCY: Department of Homeland Security

CFDA NO: 97.036

FEDERAL PROGRAM NAME: Disaster Grants – Public Assistance

FEDERAL AWARD NUMBER: DR-1678 and 1707

FEDERAL AWARD YEAR: FY2007

CONTROL CATEGORY: A-Activities Allowed or Unallowed, B-Allowable Costs/Cost Principles

QUESTIONED COSTS: \$6,457.97

Criteria: The Federal Emergency Management Agency’s published Public Assistance Guide states at Chapter 2, Page 48:

...reimbursable equipment rates typically include operation (including fuel), insurance, depreciation, and maintenance; however, they do not include the labor of the operator. Stand-by time for equipment is not eligible.

FEMA Policy 9525.8 states:

The Schedule of Equipment Rates, which provides rates for applicant-owned equipment, includes parts and labor for normal maintenance and periodic equipment overhaul. Damage that was reasonably avoidable is not eligible. Extraordinary expenses for repairs and maintenance beyond the normal use for equipment operating under severe conditions in disaster operations may be eligible for reimbursement if operation in severe snowfall or in environments with widespread and massive amounts of wind-generated debris. These conditions usually occur during emergency operations and are not encountered in situations for which the equipment was designed.

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

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.

Condition: McIntosh County was reimbursed by FEMA for equipment repair/maintenance costs that were already included in the rate per hour for the county-owned equipment used during disaster operations. The following outlines these repairs:

1. District 1 charged to PW#132 a large repair costing \$2,480.00 of a JD Backhoe with the statement “~~damaged~~ pushing brush” on the receiving report. The disaster period recorded on the Project Worksheet was 1/12/07 thru 1/26/07 and the receiving report was dated 1/13/07. This type of repair is considered ordinary maintenance benefiting more than the disaster period and is covered in the approved rate per hour listed on the FEMA Equipment Rate Schedule.

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2. District 1 charged to PW#466 the repair of a 1999 Chevrolet 1500 pick-up door costing \$163.01, which is considered ordinary maintenance benefiting more than the disaster period and is covered in the approved rate per hour listed on the FEMA Equipment Rate Schedule.
3. District 3 charged to PW#188 a cost of \$813.96 for four (4) grader tires and one (1) loader tire, which is considered ordinary maintenance benefiting more than the disaster period and is covered in the approved rate per hour listed on the FEMA Equipment Rate Schedule.
4. District 1 charged to PW#181 the purchase of a tire at a cost of \$335.00 for a JD Backhoe, which is considered ordinary maintenance benefiting more than the disaster period and is covered in the approved rate per hour listed on the FEMA Equipment Rate Schedule.
5. The County Sheriff charged to PW#387 \$2,030.00 and \$636.00 for the purchase of 24 tires for patrol cars. These are not allowable costs for the program because this is an ordinary maintenance expense of the County benefiting more than the disaster period and is covered in the mileage rate the Sheriff charged to the FEMA program.

Effect: This resulted in an overcharge of costs to the projects and questioned costs for the federal grant program.

Recommendation: OSAI recommends that McIntosh County comply with all grant guidelines when assessing cost for federal grant projects. The County should refrain from charging duplicated costs to projects. In addition, management should develop and implement controls to ensure that costs charged to the federal program are for allowable activities and are in compliance with all applicable requirements.

Views of responsible officials and planned corrective actions:

Bobby James, District 1 County Commissioner

The County will develop and implement controls to ensure that costs charged to the federal program are for allowable activities; FEMA approved these charges.

Ronnie Layman, District 3 County Commissioner

As a board of County Commissioners, we will comply with grant guidelines when assessing costs for federal grant projects by not duplicating charges to federal grants. The project manager from FEMA told us these charges were allowed.

OSAI Response: Management should review and follow written requirements issued in the FEMA Public Assistance Guide and follow-up on any discrepancies of instructions given by FEMA damage assessment contractors. Management should contact the granting agency to get further explanation of instructions and the eligibility of these specific charges to the grant program.

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Finding 2007-15 – Contract Labor

FEDERAL AGENCY: Department of Homeland Security

CFDA NO: 97.036

FEDERAL PROGRAM NAME: Disaster Grants – Public Assistance

FEDERAL AWARD NUMBER: DR-1678 and 1707

FEDERAL AWARD YEAR: FY2007

CONTROL CATEGORY: A-Activities Allowed or Unallowed, B-Allowable Costs/Cost Principles

QUESTIONED COSTS: \$12,840.00

Criteria: The October 2001 Federal Emergency Management Agency (FEMA) Public Assistance Policy Digest states the following at page 20:

Small purchase procedures: an informal method for securing services or supplies that do not cost more than \$100,000.00 by obtaining several price quotes from different sources. Time and materials contracts should be avoided, but may be allowed for work that is necessary immediately after the disaster has occurred when a clear scope of work cannot be developed. Generally, FEMA will accept time and materials contracts with a work duration of 70 hours immediately after a disaster. Applicants must carefully document contractor expenses, and a cost ceiling or “not to exceed” provision must be included in the contract. If a time and materials contract has been used, the Applicant should contact the State to ensure proper guidelines are followed.

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

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.

Condition: McIntosh County charged the following contract labor costs to Disaster Grants – Public Assistance projects without adequate supporting documentation. In addition, this work was not performed immediately after the disaster.

1. District 2 paid \$11,650 for 1,165 hours of debris burn site use with hours documented on Forced Account Labor Summary Records. The County had no formal contract with the individual for this service.
2. District 1 paid \$945.00 for 'clearing brush' and \$245.00 for spreading sand with no formal contract. The County did not issue a Form 1099 to the individual and these costs were not timely encumbered.

Effect: This resulted in a non-compliance with the grant guidelines and questioned costs for the federal grant program.

Recommendation: OSAI recommends that McIntosh County maintain adequate supporting documentation to verify all cost charged to federal grant programs. We further recommend that time and

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materials contracts be avoided; however, if time and materials contracts are used, formal contracts which carefully document contractor expenses and a cost ceiling or “not to exceed” provision must be included in the contract. Labor for time and materials contracts is to be for necessary emergency work performed immediately after the beginning of the disaster. In addition, management should develop and implement controls to ensure that costs charged to the federal program are for allowable activities and are in compliance with all applicable requirements.

Views of responsible officials and planned corrective actions:

Bobby James, District 1 County Commissioner

McIntosh County will maintain adequate supporting documentation to verify all costs charged to federal grant programs.

Tim Pendley, District 2 County Commissioner

I think the County looked at these men as part time employees instead of contract labor. We will correct this next time.

Finding 2007-16 - Cash Management

FEDERAL AGENCY: Department of Homeland Security

CFDA NO: 97.036

FEDERAL PROGRAM NAME: Disaster Grants – Public Assistance

FEDERAL AWARD NUMBER: DR-1678

FEDERAL AWARD YEAR: FY2007

CONTROL CATEGORY: Cash Management

QUESTIONED COSTS: \$ -0-

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

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.

In addition, with regard to Cash Management, the A-133 Compliance Supplement states in Part 3, page 3-C-1:

When entities are funded on a reimbursement basis, program costs must be paid for by entity funds before reimbursement is requested from the Federal Government. When funds are advanced, recipients must follow procedures to minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement. When advance payment procedures are used, recipients must establish similar procedures for subrecipients.

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44 C.F.R. § 13.21(i) states in part:

Interest earned on advances...grantees and subgrantees shall promptly, but at least quarterly, remit interest earned on advances to the federal agency. The grantee or subgrantee may keep interest amounts up to \$100 per year for administrative expenses.

Condition: McIntosh County does not have procedures to minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement. From monies received for Public Assistance Grants, the County earned approximately \$153.95 in interest, none of which was returned to the federal agency.

Effect: This condition results in the County not returning excess interest earned and could hinder the County from receiving future federal funding.

Recommendation: OSAI recommends McIntosh County implement a set of procedures to minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement and determine whether the \$53.95 should be returned.

Views of responsible officials and planned corrective actions:

Bobby James, District 1 County Commissioner

The McIntosh County Board of Commissioners will implement a set of procedures to minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement.

Ronnie Layman, District 3 County Commissioner

As a board of County Commissioners, we will implement a set of procedures to minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement.

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 2007-5 - Official Depository-Sheriff

Criteria: Effective accounting procedures are necessary to ensure stewardship and accountability of public funds.

Title 19 O.S. § 682 states in part:

It shall be the duty of each and every county officer, county board, county commission and all members and employees of either thereof, to deposit daily in the official depository designated in Section 681 of this title, all monies, checks, drafts, orders, vouchers, funds, rentals, penalties, costs, proceeds of sale of property, fees, fines, forfeitures and public charges of every kind received or collected by virtue or under color of office...

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Condition: While performing cash compositions for the Sheriff's Official Depository Account, the following was noted:

- The County Sheriff does not deposit daily.
- The County Sheriff's office is issuing two receipts for cash bonds.
- Receipts are not issued in sequential order.
- Not all receipts indicate mode of payment.
- Not all voided receipts have originals attached.
- Several cash bond receipts were skipped and left blank.
- The cash bond book does not always indicate payment type, arresting officer, and bond type.

Effect: This condition could result in possible loss of funds, inaccurate records, or incomplete information.

Recommendation: OSAI recommends that duplicate, pre-numbered receipts be issued for all monies received in the Sheriff's Office. Receipts should be issued only once, in sequential order, and should indicate mode of payment received. Also, collections should be deposited daily with the County Treasurer.

Views of responsible officials and planned corrective actions:

Kevin Ledbetter, County Sheriff

This audit was conducted on a previous administration. Deposits are now made daily. Only one receipt is issued for cash bonds. Care is being taken to issue receipts in sequential order and document mode of payment. We are now attaching original receipts to copy for voided receipts.

Finding 2007-6 - Official Depository-Assessor

Criteria: Effective accounting procedures are necessary to ensure stewardship and accountability of public funds. Effective internal controls should provide for procedures wherein receipts for monies collected are maintained and available for inspection.

Title 19 O.S. § 682 states in part:

It shall be the duty of each and every county officer, county board, county commission and all members and employees of either thereof, to deposit daily in the official depository designated in Section 681 of this title, all monies, checks, drafts, orders, vouchers, funds, rentals, penalties, costs, proceeds of sale of property, fees, fines, forfeitures and public charges of every kind received or collected by virtue or under color of office...

Condition: While performing cash compositions for the Assessor's Official Depository Account, the following was noted:

- One receipt book could not be located.
- The Assessor does not deposit daily.

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Effect: This condition could result in possible loss of funds, inaccurate records, or incomplete information.

Recommendation: OSAI recommends that receipts be given for all monies received. Also, collections should be deposited daily with the County Treasurer.

Views of responsible officials and planned corrective actions:

Trina Williams, County Assessor

I was advised as to a receipt book that is missing and daily deposits. I took office in September of 2008, and did not work in this office before that time and hope to not be held responsible or accountable for the actions of the previous Assessor.

Finding 2007-7 –Fixed Assets Inventory

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

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: None of the county offices, except for the County Treasurer's Office, perform a biennial verification of the fixed assets inventory on form 3512.

Effect: This condition could result in inaccurate records or incomplete information. In addition, this may create an environment where county resources are used inappropriately, inefficiently, or uneconomically.

Recommendation: OSAI recommends that the Board of County Commissioners cause a biennial inventory to be taken of all working tools, apparatus, machinery, and equipment for all county offices.

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Views of responsible officials and planned corrective actions:

Trina Williams, County Assessor

I was advised on the procedure of inventory and the proper form and filing of inventory. I took office in September of 2008, and did not work in this office before that time and hope to not be held responsible or accountable for the actions of the previous Assessor.

Diana Curtis, County Clerk: We will start performing a biennial verification of the fixed assets inventory on form 3512.

Bobby James, District 1 County Commissioner

As the board of County Commissioners, we will require a biennial inventory to be taken of all working tools, apparatus, machinery, and equipment for all county offices.

Tim Pendley, District 2 County Commissioner

We will cause a biennial inventory to be done on county offices for items listed on their inventory.

Ronnie Layman, District 3 County Commissioner

As the board of County Commissioners, we will cause a biennial inventory to be taken of all working tools, apparatus, machinery, and equipment for all county offices.

Finding 2007-8 – Fixed Assets Inventory—Sheriff

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

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...

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Condition: While verifying random inventory of the Courthouse and Sheriff's Office, we were unable to locate the following item:

Office	County I.D.	Description	Serial #	Date of Acquisition	Cost
Sheriff	B-331-39	05 Ford Crown Victoria	125742	11-16-06	\$9,400.00

Effect: This condition results in inaccurate records, incomplete information, and resources used inappropriately, inefficiently, or uneconomically.

Recommendation: OSAI recommends that the location or the disposition of this item be investigated and that the inventory records be updated accordingly.

Views of responsible officials and planned corrective actions:

Kevin Ledbetter, County Sheriff

This audit was conducted on a previous administration. On 06/28/10, the vehicle B-331-39 was traded to Haggard's body shop for paintwork.



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