

COUNTY AUDIT

MCINTOSH COUNTY

For the fiscal year ended June 30, 2009



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



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

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

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Oklahoma State Auditor & Inspector

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

August 28, 2013

TO THE CITIZENS OF
McINTOSH COUNTY, OKLAHOMA

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

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

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

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

Sincerely,

A handwritten signature in blue ink that reads "Gary A. Jones".

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

**McINTOSH COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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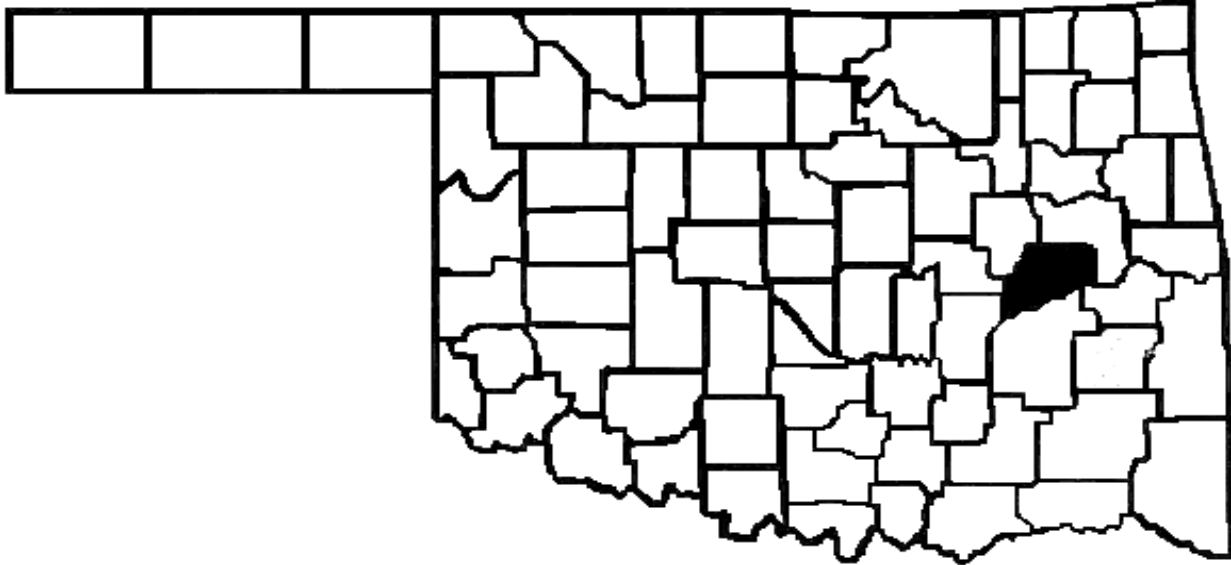
**McINTOSH COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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PRESENTED FOR INFORMATIONAL PURPOSES ONLY**

**McINTOSH COUNTY, OKLAHOMA
STATISTICAL INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**



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, meaning “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 the 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 county information, call the county clerk’s office at 918-689-2741.

County Seat – Eufaula

Area – 712.48 Square Miles

County Population – 19,709
(2007 est.)

Farms – 1,042

Land in Farms – 246,730 Acres

Primary Source: Oklahoma Almanac 2009-2010

**McINTOSH COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Board of County Commissioners

District 1 – Bobby James
District 2 – Tim Pendley
District 3 – Ronnie Layman

County Assessor

Trina Williams

County Clerk

Diana Curtis

County Sheriff

Joe Hogan

County Treasurer

Carol Lindley

Court Clerk

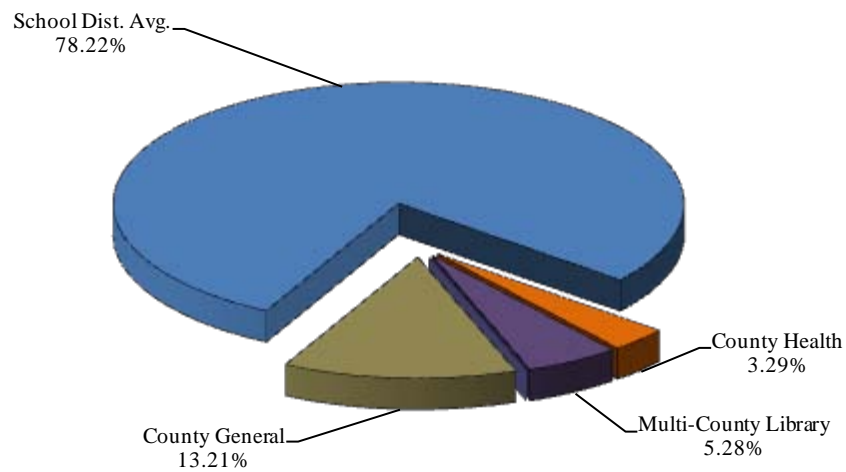
Carrie Pittman

District Attorney

Thomas Giulioli

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

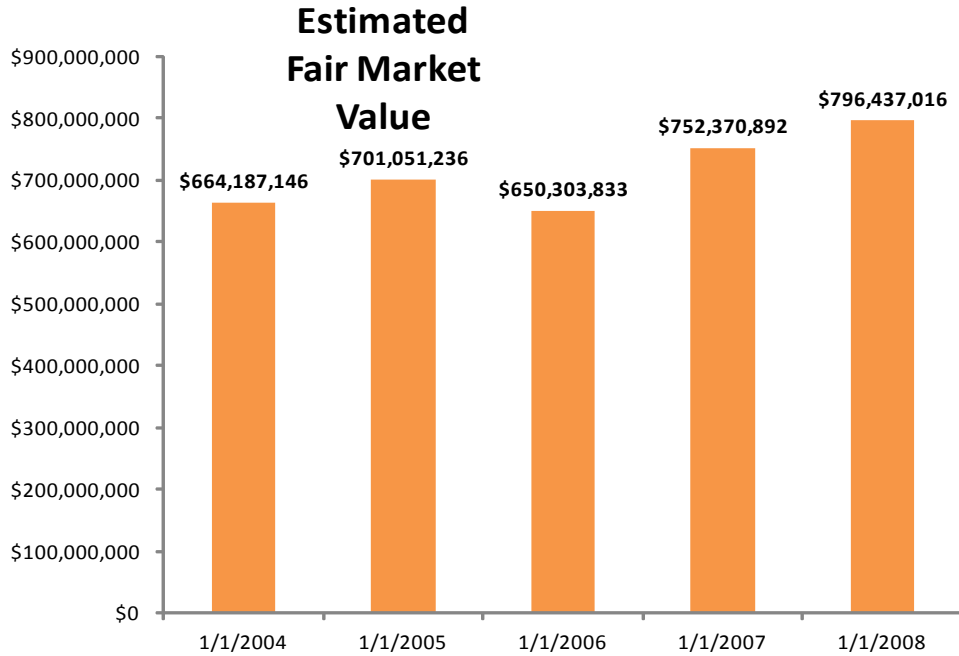
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the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



County-Wide Millages		School District Millages							
				Gen.	Bldg.	Skg.	Career Tech	4-Mill	Total
County General	10.26								
County Health	2.56	Eufaula	I-1	35.39	5.06	8.71	12.37	4.10	65.63
Multi-County Library	4.10	Checotah	I-19	35.70	5.10	8.83	10.37	4.10	64.10
		Hanna	HA-64	36.85	5.26	-	5.04	4.10	51.25
		Midway	I-27	36.77	5.25	10.21	10.37	4.10	66.70
		Stidham	D-16	37.44	5.35	-	12.37	4.10	59.26
		Henryetta	J-2	36.23	5.18	14.49	-	4.10	60.00
		Ryal	D-3	37.05	5.29	-	-	4.10	46.44
		Dewar	J-8	36.24	5.18	17.88	12.49	4.10	75.89
		Dustin	J-9	35.92	5.13	8.22	5.04	4.10	58.41
Warner	J-74	35.09	5.01	10.51	10.37	4.10	65.08		
Weleetka	J-31	35.00	5.00	-	5.04	4.10	49.14		
Graham	J-32	36.44	5.21	16.48	5.04	4.10	67.27		

**McINTOSH COUNTY, OKLAHOMA
 ASSESSED VALUE OF PROPERTY
 TREND ANALYSIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

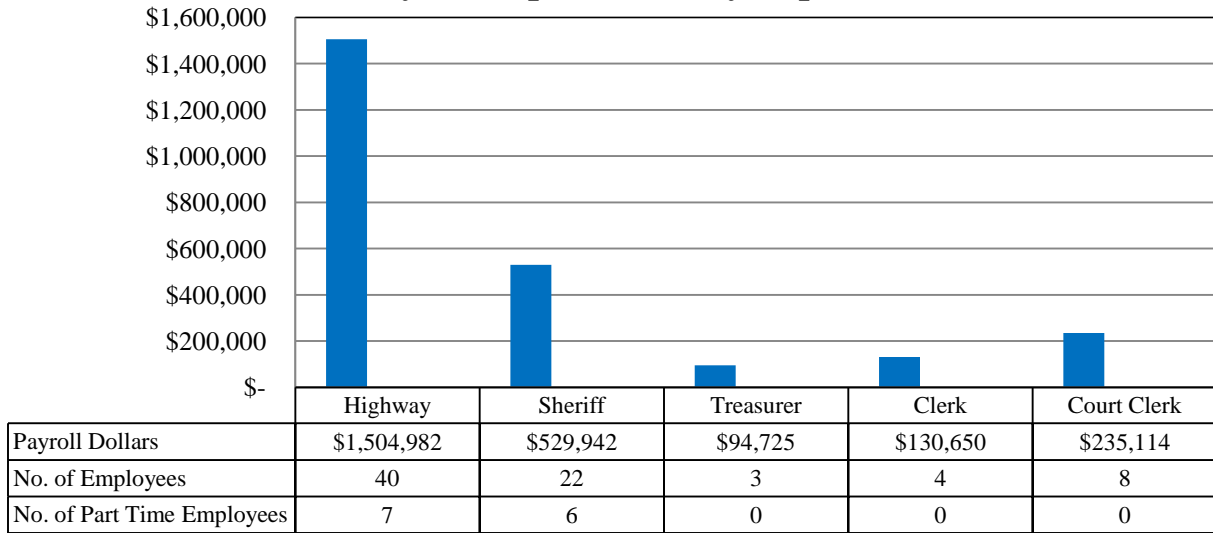
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2008	\$11,658,937	\$8,185,580	\$72,008,593	\$5,811,781	\$86,041,329	\$796,437,016
1/1/2007	\$9,843,287	\$9,023,671	\$68,573,512	\$5,736,331	\$81,704,139	\$752,370,892
1/1/2006	\$9,562,829	\$10,000,013	\$63,221,983	\$4,722,787	\$78,062,038	\$650,303,833
1/1/2005	\$10,302,299	\$11,559,182	\$61,033,746	\$4,920,732	\$77,974,495	\$701,051,236
1/1/2004	\$9,242,833	\$10,632,238	\$58,501,634	\$4,894,458	\$73,482,247	\$664,187,146



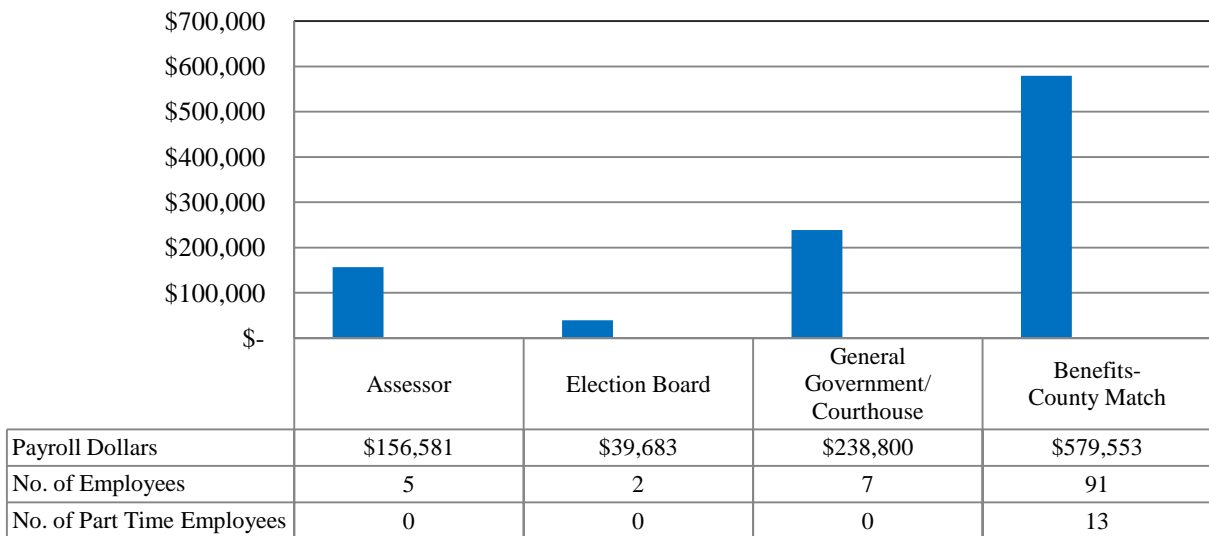
**McINTOSH COUNTY, OKLAHOMA
COUNTY PAYROLL EXPENDITURES ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

County officers' salaries are based upon the assessed valuation and population of the counties. State statutes provide guidelines for establishing elected officers' salaries. The Board of County Commissioners sets the salaries for all elected county officials within the limits set by the statutes. The designated deputy or assistant's salary cannot exceed the principal officer's salary. Salaries for other deputies or assistants cannot exceed the principal officer's salary. The information presented below is for the fiscal year ended June 30, 2009.

Payroll Expenditures by Department



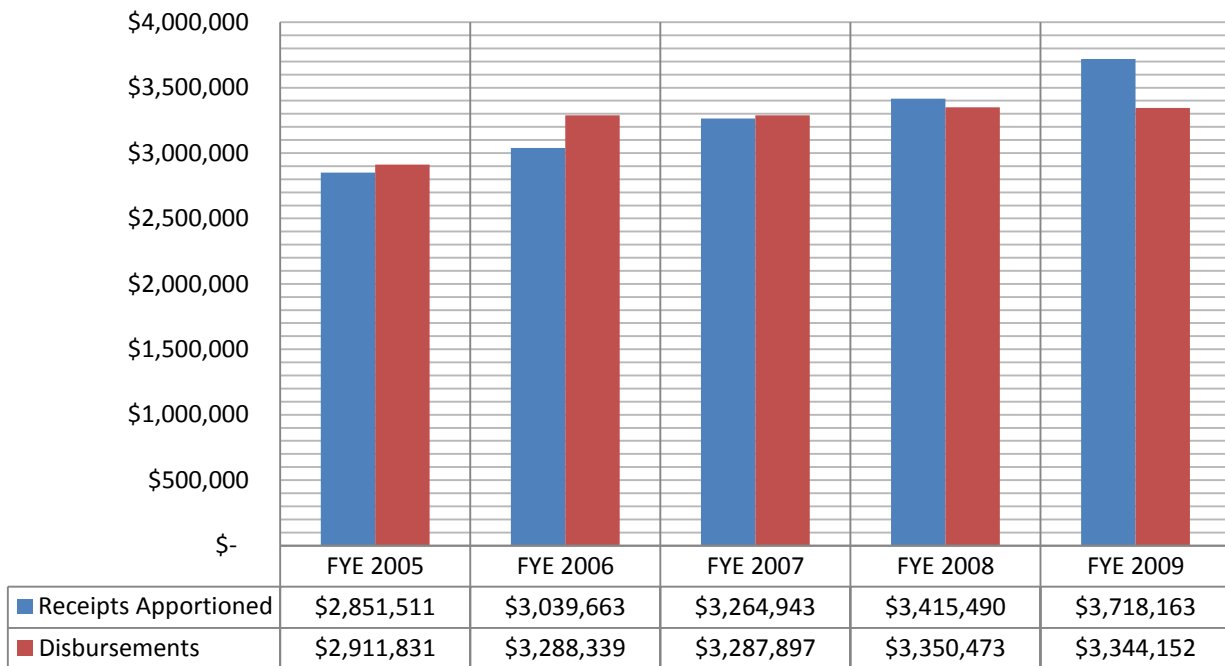
Payroll Expenditures by Department



**McINTOSH COUNTY, OKLAHOMA
COUNTY GENERAL FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

County General Fund

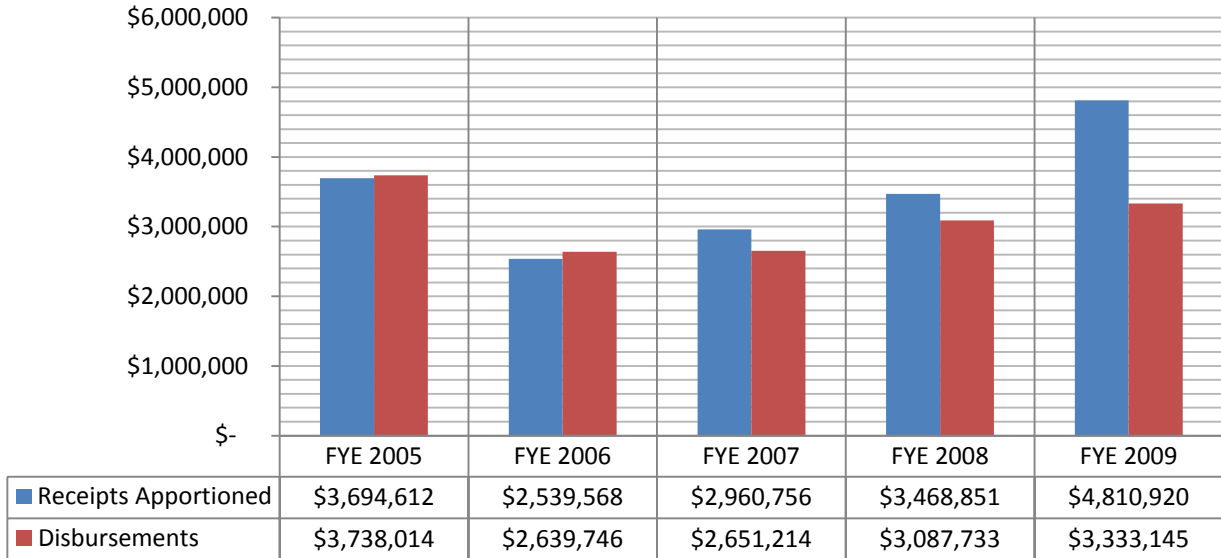
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also provides revenue for various budget accounts and accounts that support special services and programs. The Board of County Commissioners must review and approve all expenditures made from the County General Fund. The primary revenue source for the County General Fund is usually the county's ad valorem tax collected on real, personal (if applicable), and public service property. Smaller amounts of revenue can come from other sources such as fees, sales tax, use tax, state transfer payments, in-lieu taxes, and reimbursements. The chart below summarizes receipts and disbursements of the County's General Fund for the last five fiscal years.



**McINTOSH COUNTY, OKLAHOMA
COUNTY HIGHWAY FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

County Highway Fund

The County receives major funding for roads and highways from a state imposed fuel tax. Taxes are collected by the Oklahoma Tax Commission. Taxes are imposed on all gasoline, diesel, and special fuel sales statewide. The County's share is determined on formulas based on the County population, road miles, and land area and is remitted to the County monthly. These funds are earmarked for roads and highways only and are accounted for in the County Highway Fund. The chart below summarizes receipts and disbursements of the County's Highway Fund for the last five fiscal years.



FINANCIAL SECTION



Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405-521-3495 • Fax: 405-521-3426

Independent Auditor's Report

TO THE OFFICERS OF
McINTOSH COUNTY, OKLAHOMA

We have audited the combined total—all county funds on the accompanying regulatory basis Statement of Receipts, Disbursements, and Changes in Cash Balances of McIntosh County, Oklahoma, as of and for the year ended June 30, 2009, listed in the table of contents as the financial statement. This financial statement is the responsibility of McIntosh County's management. Our responsibility is to express an opinion on the combined total—all county funds 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 differences between this regulatory basis of accounting and accounting principles generally accepted in the United States of America are also described in Note 1.

In our opinion, because of the effects 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, 2009, 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 balances for all county funds of McIntosh County, for the year ended June 30, 2009, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2013, 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 county funds on the 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 financial statement. The remaining 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 financial statement. Such supplementary information has been subjected to the auditing procedures applied in the audit of the combined total—all county funds on the regulatory basis Statement of Receipts, Disbursements and Changes in Cash Balances and, in our opinion, is fairly stated, in all material respects, in relation to the combined total—all county funds. The information listed in the table of contents under Introductory Section has not been audited by us, and accordingly, we express no opinion on it.

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

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

August 28, 2013

REGULATORY BASIS FINANCIAL STATEMENT

McINTOSH COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS
(WITH COMBINING INFORMATION)—MAJOR FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Beginning			Ending
	Cash Balances	Receipts		Cash Balances
	July 1, 2008	Apportioned	Disbursements	June 30, 2009
Combining Information:				
Major Funds:				
General Fund	\$ 1,409,348	\$ 3,718,163	\$ 3,344,152	\$ 1,783,359
Highway Cash Fund	1,391,541	4,810,920	3,333,145	2,869,316
County Health Department	130,523	220,902	222,033	129,392
Sheriff Revolving Narcotic Cash Fund	79,921	80,628	134,254	26,295
Sheriff Fees Cash Fund	48,190	155,261	133,272	70,179
Jail Use Tax Cash Fund	91,523	19,985	-	111,508
Jail Sales Tax Operations Cash Fund	-	563,895	14,063	549,832
Sinking Fund	30	-	-	30
MCPFA Sales Tax Fund	99,127	754,233	804,015	49,345
Remaining Aggregate Funds	431,776	486,870	435,211	483,435
Combined Total - All County Funds	<u>\$ 3,681,979</u>	<u>\$ 10,810,857</u>	<u>\$ 8,420,145</u>	<u>\$ 6,072,691</u>

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, 2009**

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

B. Fund Accounting

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

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

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

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

County Health Department – 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.

Sheriff Revolving Narcotic Cash Fund – 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.

**McINTOSH COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

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.

Jail Sales Tax Operations Cash Fund – accounts for the collection of county sales tax money and is disbursed for the purpose of maintenance and operation of the McIntosh County Jail.

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.

MCPFA Sales Tax Fund – accounts for the collection of county sales tax money used for the retirement of indebtedness incurred on behalf of McIntosh County by the McIntosh County Public Facilities Authority (MCPFA) for the construction of a new detention facility.

C. Basis of Accounting

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

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

D. Budget

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

**McINTOSH COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

E. Cash and Investments

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

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

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

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

2. Ad Valorem Tax

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

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

Unpaid delinquent personal property taxes are published usually in May. If the taxes are not paid within 30 days from publication, they shall be placed on the personal tax lien docket.

**McINTOSH COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

3. Other Information

A. Pension Plan

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

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

B. Other Post Employment Benefits (OPEB)

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

C. Contingent Liabilities

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

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

D. 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%; Office of Emergency Management-0.5%;

**McINTOSH COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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%. These funds are accounted for in the County General Fund.

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 the 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. These funds are accounted for in the Jail Sales Tax Operations Cash Fund and the MCPFA Sales Tax Fund.

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, 2009

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 1,409,348	\$ 1,409,348	\$ -
Less: Prior Year Outstanding Warrants	(209,184)	(209,184)	-
Less: Prior Year Encumbrances	(9,327)	(17,239)	(7,912)
Beginning Cash Balances, Budgetary Basis	<u>1,190,837</u>	<u>1,182,925</u>	<u>(7,912)</u>
Receipts:			
Ad Valorem Taxes	802,531	860,640	58,109
Charges for Services	135,000	170,523	35,523
Intergovernmental Revenues	2,004,293	2,651,457	647,164
Miscellaneous Revenues	20,000	35,543	15,543
Total Receipts, Budgetary Basis	<u>2,961,824</u>	<u>3,718,163</u>	<u>756,339</u>
Expenditures:			
District Attorney	6,000	5,293	707
County Sheriff	407,000	388,548	18,452
County Treasurer	81,401	81,397	4
County Commissioners	31,100	29,645	1,455
County Clerk	83,201	83,141	60
Court Clerk	215,582	215,582	-
County Assessor	82,000	81,875	125
Revaluation of Real Property	196,100	191,182	4,918
General Government	766,554	626,861	139,693
Excise-Equalization Board	11,100	9,319	1,781
County Election Board	53,832	45,762	8,070
Sales Tax Sr. Citizens-Eufaula	26,066	10,537	15,529
Sales Tax Sr. Citizens-Hanna	24,093	16,360	7,733
Sales Tax Sr. Citizens-Salem Ryal	34,094	15,121	18,973
Sales Tax Sr. Citizens-Oak Grove	21,783	15,399	6,384
Sales Tax Sr. Citizens-Checotah	18,476	9,475	9,001
Sales Tax Sheriff 12%	202,836	178,621	24,215
Sales Tax Treasurer 2.5%	67,133	31,438	35,695
Sales Tax Co. Clerk 5%	89,781	84,722	5,059
Sales Tax Court Clerk 2%	35,864	35,503	361
Sales Tax OSU Ext 3.5%	91,717	69,856	21,861
Sales Tax General Gov't 19%	406,686	274,988	131,698
Sales Tax Courthouse 7%	167,097	126,183	40,914
Sales Tax Highway 23%	446,764	347,756	99,008
Sales Tax Library	86,916	86,916	-
Sales Tax Fair Board	60,228	38,439	21,789
Sales Tax Assessor 2.5%	51,223	46,335	4,888

McINTOSH COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
GENERAL FUND (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	General Fund		
	Budget	Actual	Variance
Expenditures (Continued):			
County Audit Budget Account	16,988	16,126	862
Free Fair Budget Account	1,000	972	28
Sales Tax Rural Fire	246,814	113,739	133,075
Sales Tax Rural Fire	108,253	64,984	43,269
Sales Tax EMS	14,979	13,336	1,643
Total Expenditures, Budgetary Basis	4,152,661	3,355,411	797,250
Excess of Receipts and Beginning Cash			
Balances Over Expenditures, Budgetary Basis	\$ -	1,545,677	\$ 1,545,677
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Reserves		31,273	
Add: Current Year Outstanding Warrants		206,409	
Ending Cash Balance		\$ 1,783,359	

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, 2009

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 130,523	\$ 130,523	\$ -
Less: Prior Year Outstanding Warrants	(34,274)	(34,274)	-
Less: Prior Year Encumbrances	(3,080)	(5,173)	(2,093)
Beginning Cash Balances, Budgetary Basis	93,169	91,076	(2,093)
Receipts:			
Ad Valorem Taxes	200,242	214,742	14,500
Charges for Service	2,812	5,117	2,305
Miscellaneous Receipts	-	1,043	1,043
Total Receipts, Budgetary Basis	203,054	220,902	17,848
Expenditures:			
Health and Welfare	296,223	193,282	102,941
Total Expenditures, Budgetary Basis	296,223	193,282	102,941
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	118,696	\$ 118,696
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Reserves		2,806	
Add: Current Year Outstanding Warrants		7,890	
Ending Cash Balance		\$ 129,392	

McINTOSH COUNTY, OKLAHOMA
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS—
REMAINING AGGREGATE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Beginning Cash Balances July 1, 2008	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2009
Remaining Aggregate Funds:				
HAVIR Cash Fund	\$ 195	\$ -	\$ 195	\$ -
County Assessor Fees Cash Fund	44,103	8,295	11,107	41,291
Mortgage Tax Cash Fund	5,218	5,185	7,847	2,556
Resale Cash Voucher Fund	157,092	76,652	90,373	143,371
County Clerk M&M Cash Fund	44,495	30,514	54,815	20,194
McIntosh County Development Authority	13,511	58,004	49,337	22,178
RM&P Cash Fund	111,775	40,295	46,038	106,032
Community Service Cash Fund	28,295	-	2,765	25,530
COPS Cash Fund	283	-	-	283
Lake Patrol Cash Fund	3,282	7,936	9,873	1,345
Sheriff Board of Prisoners Cash Fund	12,168	69,587	34,533	47,222
Sheriff Training Cash Voucher Fund	35	442	-	477
Sheriff Federal Drug Sharing Cash Fund	1,146	-	-	1,146
Adult Drug Court Revolving Cash Fund	7,645	25,000	20,200	12,445
REAP Vivian Fire Department	2,533	-	734	1,799
LEPC Cash Fund	-	1,000	-	1,000
McIntosh County 911	-	73,960	17,394	56,566
EODD REAP 911	-	90,000	90,000	-
Combined Total - Remaining Aggregate Funds	\$ 431,776	\$ 486,870	\$ 435,211	\$ 483,435

**13McINTOSH COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

1. Budgetary Schedules

The Comparative Schedules of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis for the General Fund and the County Health Department Fund present comparisons of the legally adopted budget with actual data. The "actual" data, as presented in the comparison of budget and actual, will differ from the data as presented in the Combined Statement of Receipts, Disbursements, and Changes in Cash Balances with Combining Information because of adopting certain aspects of the budgetary basis of accounting and the adjusting of encumbrances and outstanding warrants to their related budget year.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in these funds. At the end of the year unencumbered appropriations lapse.

2. Remaining County Funds

Remaining aggregate funds as presented on the financial statement are as follows:

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 Fund – revenues are from fees charged by the 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.

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

County Clerk 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.

McIntosh County Development Authority – accounts for the collection and disbursements of funds used to construct the county health department building.

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

**14McINTOSH COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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.

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

Sheriff Board of Prisoners Cash Fund – 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 Training Cash Voucher Fund – accounts for the collection and disbursement of money supplied to the Sheriff’s office for the training of officers.

Sheriff Federal Drug Sharing Cash Fund – accounts for the County’s share of federal drug case monies from the U.S. Department of Justice.

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

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.

LEPC Cash Fund – revenues are from the State of Oklahoma and are provided for the purchase of equipment for Emergency Management.

McIntosh County 911 – revenues are from various telecommunication companies and are provided for the operation of the Emergency 911 system.

EODD REAP 911 – revenues are from the Eastern Oklahoma Development District and are provided for the implementation of the Emergency 911 system.

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

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. DEPARTMENT OF DEFENSE			
Direct Grant:			
Payment to States in Lieu of Real Estate Taxes	12.112		\$ 18,442
Total U.S. Department of Defense			<u>18,442</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed Through State Department of Commerce:			
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228		29,397
Total U.S. Department of Housing and Urban Development			<u>29,397</u>
U.S. DEPARTMENT OF INTERIOR			
Direct Grant:			
Payments in Lieu of Taxes	15.226		191,523
Total U.S. Department of Interior			<u>191,523</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed Through Oklahoma Department of Emergency Management:			
Disaster Grants-Public Assistance (Presidentially Declared Disasters)	97.036	1712	111,806
Disaster Grants-Public Assistance (Presidentially Declared Disasters)	97.036	1752	358,528
Disaster Grants-Public Assistance (Presidentially Declared Disasters)	97.036	1754	759,783
Disaster Grants-Public Assistance (Presidentially Declared Disasters)	97.036	1823	68,576
Total U.S. Department of Homeland Security			<u>1,298,693</u>
Total Expenditures of Federal Awards			<u>\$ 1,538,055</u>

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

Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of McIntosh County, and is presented on the *cash basis of accounting*. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

INTERNAL CONTROL AND COMPLIANCE SECTION



Oklahoma State Auditor & Inspector

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

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, 2009, 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 August 28, 2013. 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 McIntosh County's internal control over financial reporting.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in internal control described in the accompanying schedule of findings and questioned costs to be material weaknesses in internal control over financial reporting. 2009-1, 2009-2, 2009-5, 2009-6, and 2009-7.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting, 2009-11.

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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2009-7.

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 responses 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 responses and, accordingly, we express no opinion on the responses.

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



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

August 28, 2013



Oklahoma State Auditor & Inspector

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

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

TO THE OFFICERS OF
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 could have a direct and material effect on McIntosh County's major federal program for the year ended June 30, 2009. McIntosh County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of 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 2009-17, 2009-18, and 2009-19, in the accompanying schedule of findings and questioned costs, McIntosh County did not comply with requirements regarding Allowable Costs/Cost Principles that are applicable to its Disaster Grants – Public Assistance (Presidentially Declared Disasters). 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 could have a direct and material effect on its major federal program for the year ended June 30, 2009.

Internal Control Over Compliance

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 to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2009-15, 2009-16, and 2009-17 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs, as items 2009-18 and 2009-19 to be significant deficiencies.

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

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



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

August 28, 2013

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

SECTION 1—Summary of Auditor’s Results

Financial Statements

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

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?..... Yes

Federal Awards

Internal control over major programs:

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

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

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

Identification of Major Programs

CFDA Number(s)
97.036

Name of Federal Program or Cluster
Disaster Grants - Public Assistance
(Presidentially Declared Disasters)

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

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

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

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

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

Finding 2009-1 – County-Wide Internal Controls (Repeat Finding)

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

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

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

Recommendation: OSAI recommends that the County design procedures to identify and address risks. OSAI also recommends that the County design monitoring procedures to assess the quality of performance over time. These procedures should be written policies and procedures and could be included in the County's policies and procedures handbook.

Management Response:

County Treasurer: Will discuss with the Board of County Commissioners about setting up a quarterly meeting with the Treasurer and County Clerk to discuss the risk assessment and monitoring policies.

County Clerk: Discussing with Commissioners and other officials about holding a quarterly meeting on risk management affecting the financial statement and any other risks that needs addressed, as well as monitoring.

District 1 County Commissioner: As Commissioner, from this date forward, procedures to identify, address, and monitor risks/internal controls will be implemented.

District 2 County Commissioner: The Commissioners, County Clerk, and County Treasurer have agreed to meet quarterly to discuss the risk management and monitoring issues of the County.

District 3 County Commissioner: As Commissioner, I plan to discuss with other Commissioners about holding a quarterly meeting to address risk management and monitoring.

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

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

Finding 2009-2 – Inadequate Segregation of Duties Over County Treasurer Receipts and Deposits

Condition: The County Treasurer has segregated the duties of preparing/reviewing deposits and performing bank reconciliations; however, the employees who perform these duties also issue receipts. In addition, all employees work from the same cash drawer. For mail-in payments, all employees can open the mail and issue receipts. A daily mail log is not maintained.

Cause of Condition: In order to provide prompt services to the citizens of McIntosh County and for ease of operations, the County Treasurer's office utilizes all employees to issue receipts. Additionally, due to the limited number of personnel, one individual is sometimes responsible for all the key functions of the office.

Effect of Condition: A single person having responsibility for more than one area of recording, authorization, custody of assets, and execution of transactions could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner.

Recommendation: OSAI recommends the following key accounting functions of the Treasurer's office be adequately segregated:

- Issuing receipts.
- Preparing/reviewing deposits and taking them to the bank.
- Maintaining accounting ledgers and reconciling bank statements.

In addition OSAI recommends establishing a system of controls to adequately protect the collections of the Treasurer's office, which include but are not limited to the following:

- Establish separate cash drawers for all employees receiving cash.
- A daily log of mailed in receipts should be compiled.

Management Response:

County Treasurer: Due to a limited budget and amount of employees, personnel have to issue receipts in addition to other duties. I do not have enough employees to maintain a mail log in December and January.

Auditor Response: In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risks involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office, and having management review and approve accounting functions.

Criteria: Effective internal controls require that key functions within a process be adequately segregated to allow for prevention and detection of errors and possible misappropriation of funds.

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

Finding 2009-5 – Inadequate Segregation of Duties Over Purchasing (Repeat Finding)

Condition: Upon inquiry and observation of the County's purchasing process, the following concentration of duties was noted; the Purchasing Agent prepares purchase orders, encumbers purchase orders, approves/authorizes the encumbrance, reviews the purchase order for accuracy, has custody of/prepares the warrants, maintains ledgers, and distributes warrants. In addition, the County Clerk's office has the ability to perform the requisitioning duties for the County Commissioners.

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

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

Recommendation: OSAI recommends management be aware of these conditions and determine if duties can be properly segregated. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risk involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office, and having management review and approve accounting functions. Further, the duties of encumbering funds and posting to the ledgers should be separated from the printing and distribution of payments.

Management Response:

County Clerk: We have implemented the following procedures regarding purchasing; all deputies are trained to encumber purchase orders. The Purchasing Agent enters purchase orders into the computer, prints, and signs. The Deputy signs and certifies. The Requisitioning County Official signs. The County Clerk or First Deputy certifies and signs. Two or more County Commissioners sign and approve. The verification report is printed by the First Deputy, verified and initialed. The Purchasing Agent prints the checks and the Deputy distributes them.

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

Finding 2009-6 – Inadequate Segregation of Duties Over Payroll (Repeat Finding)

Condition: Upon inquiry and observation of the County's payroll process, it was noted that the Payroll Clerk enrolls new hires, makes payroll changes, runs verification reports, prints payroll checks, distributes payroll checks, and maintains personnel files.

Cause of Condition: Policies and procedures have not been designed with regard to segregation of duties and/or compensating internal controls over the payroll process.

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

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

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

Management Response:

County Clerk: We have implemented the following procedures regarding payroll; all deputies are being trained to enroll new employees. The Payroll Clerk will make all payroll changes and run the verification report for each office to verify. The Purchasing Agent will print payroll checks and the checks will be disbursed by a deputy (other than the Payroll Clerk or Purchasing Agent) or County Clerk.

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

Finding 2009-7 – Inadequate Internal Controls and Noncompliance Over Purchasing (Repeat Finding)

Condition: While testing sixteen purchase orders, we noted the following:

- Four were not timely encumbered:

Warrant #	Fund	Purpose	Amount
223	General	Contract	\$15,750.00
1227	General	Truck	\$3,300.00
1893	General	Asphalt	\$2,878.95
1	EODD REAP 911	Mapping Project	\$30,000.00

- One was not supported by a receiving report:

Warrant #	Fund	Purpose	Amount
1	EODD REAP 911	Mapping Project	\$30,000.00

While testing five cash voucher claims, we noted the following:

- Two were not supported by an invoice or receiving report:

Warrant #	Fund	Purpose	Amount
37	Resale	Postage	\$7,532.60
154	Resale	Postage Meter	\$3,000.00

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

Effect of Condition: These conditions could result in the county being in noncompliance with statutes, laws, regulations or legislative intent, and inaccurate records, incomplete information, or a misappropriation of assets.

Recommendation: OSAI recommends that the county adhere to state purchasing guidelines. Purchase Orders should be encumbered before goods or services are ordered and receiving reports should be completed/authorized and attached to the purchase order. Cash vouchers claims should have invoices attached and should contain a receiving report that has been signed.

Management Response:

County Clerk: I consulted with the Purchasing Agent and each responsible office about the findings to make them aware of proper policies and procedures designed by state statutes regarding the purchasing process.

District 3 County Commissioner: As Commissioner, I will adhere to state purchasing guidelines by encumbering purchase orders before purchasing or ordering goods and services and complete receiving reports.

County Treasurer: We no longer have a Reserve Account. We will put a copy of the order form with the claim and completed receiving report.

County Assessor: I have no excuse except that I am a working Assessor who is very busy and sometimes I simply forget things.

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

Further, effective internal controls would include all supporting documentation related to disbursements be attached to the purchase order and cash voucher claim prior to approval for payment.

Finding 2009-11 – Inadequate Internal Controls Over Pledged Collateral and Noncompliance with Statute (Repeat Finding)

Condition: As of January 12, 2009, the County's bank account balances and investments at a local financial institution were not adequately pledged in the amount of \$137,004.34.

Cause of Condition: Procedures have not been designed to ensure daily bank deposits are adequately secured.

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Effect of Condition: Failure to monitor pledged collateral amounts resulted in unsecured county funds and could result in possible loss of county funds.

Recommendation: OSAI recommends that the County design procedures to compare daily bank balances to the pledged collateral ledgers to ensure that county funds are adequately secured against loss by a financial institution. Documentation for this daily procedure should be maintained.

Management Response:

County Treasurer: The bank balance had a direct deposit that we did not know we had because we did not have it recorded on the general ledger yet. I have started keeping a log daily.

Criteria: Title 62 O.S. § 517.4 (A) states, “a treasurer of a public entity shall require that financial institutions deposit collateral securities or instruments to secure the deposits of the public entity in each such institution. The amount of collateral securities or instruments to be pledged for the security of public deposits shall be established by the treasurer of the public entity consistent with the provisions of the Security for Local Public Deposits Act; provided, such amount shall not be less than the amount of the deposit to be secured, less the amount insured.”

Further, effective internal controls would include monitoring the daily bank balances to the amount of securities pledged to protect the County against loss of investments.

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

Finding 2009-15 – Lack of Internal Controls Over Compliance Requirements – FEMA (Repeat Finding)

PASS-THROUGH GRANTOR: Oklahoma Emergency Management

FEDERAL AGENCY: United States Department of Homeland Security

CFDA NO: 97.036

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

FEDERAL AWARD NUMBER: 1712, 1752, 1754, and 1823

FEDERAL AWARD YEAR: 2009

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

QUESTIONED COSTS: \$-0-

Condition: During the process of documenting the County’s internal controls regarding federal disbursements, we noted the County has not established procedures to ensure compliance with the following compliance requirements: Activities Allowed or Unallowed; Allowable Costs/Cost Principles;

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Cash Management; Matching, Level of Effort, Earmarking; Period of Availability of Federal Funds; and Procurement and Suspension and Debarment.

Cause of Condition: Procedures have not been designed to ensure federal expenditures are made in accordance with federal compliance requirements.

Effect of Condition: This condition could result in noncompliance to grant requirements and loss of federal funds to the County.

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

Management Response:

District 1 County Commissioner: As Commissioner, from this date forward, I will implement procedures to ensure requirements designed for federal expenditures will comply with federal requirements.

District 2 County Commissioner: More than one person will be reviewing FEMA project worksheets to assure the correct expenditures are made.

District 3 County Commissioner: As Commissioner, I will gain an understanding of the requirements for these programs and implement internal controls.

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

Subpart C—Auditees

§__.300 Auditee responsibilities.

The auditee shall:

(b) Maintain internal controls 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 material effect on each of its Federal programs.

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

Finding 2009-16 – County-Wide Controls Over Major Programs – FEMA (Repeat Finding)

PASS-THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: United States Department of Homeland Security

CFDA NO: 97.036

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

FEDERAL AWARD NUMBER: 1712, 1752, 1754, and 1823

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FEDERAL AWARD YEAR: 2009

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

QUESTIONED COSTS: \$-0-

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

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

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

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

Examples of control environment and procedures to address control environment for federal programs:

Control Environment	Procedures
The communication to employees from management of its belief that internal controls are important to meeting goals and objectives of federal grants.	<ul style="list-style-type: none"> • Establish written policies and procedures regarding federal funds. • Provide resources and training for the proper handling of federal funds. • Establish a written policy with regards to reporting known or suspected misappropriation of federal funds.

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

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

Examples and procedures to address information and communication for federal programs:

Information and Communication	Procedures
The information and communication required to prepare the County's SEFA.	<ul style="list-style-type: none"> • Designate one person to prepare the SEFA.

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Information and Communication	Procedures
	<ul style="list-style-type: none"> • Each department submits a monthly summary of financial information to the designated SEFA preparer. • Record significant grant activity in the BOCC minutes. • Review and approve the SEFA in BOCC meeting.

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

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

Management Response:

District 1 County Commissioner: As Commissioner, from this date forward, I will implement a system of internal controls to ensure compliance with grant requirements acting upon procedures recommended by OSAI.

District 2 County Commissioner: Three people, including myself, attend the Request for Public Assistance meeting held by FEMA. One person records all daily activity information and time attendance sheets. At the completion of the work, the information will either be spot checked or completely reviewed by me, the Commissioner.

District 3 County Commissioner: As Commissioner, I plan to discuss with the other Commissioners a plan to implement internal controls to ensure compliance with grant requirements.

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

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Control Environment, Risk Assessment, Information and Communication, and Monitoring for the achievement of these goals.

Finding 2009-17 – Scope of Work - FEMA

PASS-THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: United States Department of Homeland Security

CFDA NO: 97.036

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

FEDERAL AWARD NUMBER: 1752, 1754, and 1823

FEDERAL AWARD YEAR: 2009

CONTROL CATEGORY: Allowable Costs/Cost Principles

QUESTIONED COSTS: \$49,195.52

Condition: It appears the scope of work was not met for the following projects:

District #1

Project Worksheet 423:

- The County did not retain documentation to support expenditures for 133 cubic yards of surface aggregate resulting in undocumented cost of \$1,729.00.
- The County did not retain documentation to support expenditures for 133.3 cubic yards of fill (unclassified) resulting in undocumented cost of \$933.10.
- The County did not retain documentation to support expenditures for 200 cubic yards of shale resulting in undocumented cost of \$1,944.00.
- The County did not retain documentation to support expenditures for 12.4 cubic yards of surface aggregate resulting in undocumented cost of \$161.20.

Project Worksheet 830:

- The scope of work documented on the project worksheet includes 163 cubic yards of shale. The documentation provided for this project shows the County used 10.71 cubic yards which is 152.29 cubic yards less than what was required, resulting in a \$1,480.26 variance.

District #3

Project Worksheet 383:

- The County did not retain documentation to support expenditures for 14 cubic yards of rip rap resulting in undocumented cost of \$224.00.

Project Worksheet 392:

- The scope of work documented on the project worksheet includes 1,172 cubic yards of surface aggregate. The documentation provided for this project shows the County used

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976.55 cubic yards which is 195.45 cubic yards less than what was required, resulting in a \$5,570.33 variance.

Project Worksheet 282:

- The scope of work documented on the project worksheet includes 1,878 cubic yards of shale base. The documentation provided for this project shows the County used 684 cubic yards which is 1,194 cubic yards less than what was required, resulting in a \$11,605.68 variance.

Project Worksheet 293:

- The scope of work documented on the project worksheet includes 845 cubic yards of shale base. The documentation provided for this project shows the County used 192 cubic yards which is 653 cubic yards less than what was required, resulting in a \$6,347.16 variance.

Project Worksheet 383:

- The scope of work documented on the project worksheet includes 593 cubic yards of shale base. The documentation provided for this project shows the County used 144 cubic yards which is 449 cubic yards less than what was required, resulting in a \$4,364.28 variance.
- The scope of work documented on the project worksheet includes 313 cubic yards of surface aggregate. The documentation provided for this project shows the County used 271.5 cubic yards which is 41.5 cubic yards less than what was required, resulting in a \$1,182.75 variance.

Project Worksheet 221:

- The scope of work documented on the project worksheet includes 523 cubic yards of surface aggregate. The documentation provided for this project shows the County used 371.93 cubic yards which is 151.07 cubic yards less than what was required, resulting in a \$4,305.50 variance.

Project Worksheet 222:

- The scope of work documented on the project worksheet includes 653 cubic yards of surface aggregate. The documentation provided for this project shows the County used 545.26 cubic yards which is 107.74 cubic yards less than what was required, resulting in a \$3,070.59 variance.

Project Worksheet 381:

- The scope of work documented on the project worksheet includes 653 cubic yards of surface aggregate. The documentation provided for this project shows the County used 547.53 cubic yards which is 105.47 cubic yards less than what was required, resulting in a \$3,005.90 variance.

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Project Worksheet 385:

- The scope of work documented on the project worksheet includes 529 cubic yards of surface aggregate. The documentation provided for this project shows the County used 517.54 cubic yards which is 11.46 cubic yards less than what was required, resulting in a \$326.61 variance.
- The scope of work documented on the project worksheet includes 1,479 cubic yards of shale base. The documentation provided for this project shows the County used 1,176 cubic yards which is 303 cubic yards less than what was required, resulting in a \$2,945.16 variance.

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

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

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

Management Response:

District 1 County Commissioner: As Commissioner, from this date forward, I will implement internal controls to ensure that the scope of work on grant projects will comply and meet with requirements set.

District 3 County Commissioner: As Commissioner, I will gain an understanding of requirements for this program and ensure compliance with the requirements.

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

Subpart C—Auditees

§___.300 Auditee responsibilities.

The auditee shall:

- (b) Maintain internal controls 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 material effect on each of its Federal programs.

Finding 2009-18 – Direct Administrative Costs - FEMA

PASS THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: United States Department of Homeland Security

CFDA NO: 97.036

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

FEDERAL AWARD NUMBER: 1752, 1754, and 1823

FEDERAL AWARD YEAR: 2009

CONTROL CATEGORY: Allowable Costs/Cost Principles; Matching, Level of Effort, Earmarking

QUESTIONED COSTS: \$862.21

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Condition: The following projects lacked documentation to support direct administrative costs:

District	Disaster	Project Worksheet	Undocumented Administrative Cost
1	1752	423	\$ 66.69
1	1754	830	66.69
1	1752	432	404.04
1	1823	84	58.17
2	1823	117	<u>266.62</u>
Total			<u>\$862.21</u>

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

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

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

Management Response:

District 1 County Commissioner: As Commissioner, from this date forward, I will implement internal controls to ensure that Direct Administrative Costs will comply with grant requirements.

District 2 County Commissioner: Each project worksheet will be viewed by more than one person including the Commissioner.

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

Subpart C—Auditees

§ ____.300 Auditee responsibilities.

The auditee shall:

(b) Maintain internal controls 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 material effect on each of its Federal programs.

Finding 2009-19 – Equipment Codes - FEMA

PASS THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: United States Department of Homeland Security

CFDA NO: 97.036

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

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FEDERAL AWARD NUMBER: 1823
FEDERAL AWARD YEAR: 2009
CONTROL CATEGORY: Allowable Costs/Cost Principles
QUESTIONED COSTS: \$123.80

Condition: Incorrect FEMA codes were used for several pieces of equipment documented on Project Worksheet #84. This resulted in a net over-charge of \$123.80.

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

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

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

Management Response:

District 1 County Commissioner: As Commissioner, from this date forward, I will consistently record equipment and sufficiently detail and trace equipment according to the FEMA equipment rate schedule in order to calculate costs. An incorrect FEMA rate book was used because we didn't know about a new book.

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

Subpart C—Auditees

§__.300 Auditee responsibilities.

The auditee shall:

(b) Maintain internal controls 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 material effect on each of its Federal programs.

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

Finding 2009-13 – Inadequate Internal Controls and Noncompliance Over the Inmate Trust and Sheriff's Commissary (Repeat Finding)

Condition: An audit of the Inmate Trust Fund and Sheriff Commissary revealed the following:

- Bank statement reconciliations are not performed.

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- Inmate Trust checks for disbursements do not have two authorized signatures.
- The Sheriff's office does not make daily deposits.
- The Sheriff's office does not file an annual report for the Commissary Fund with the Board of County Commissioners by January 15, of each year.
- The County Sheriff does not have a Commissary Account on the County Treasurer's general ledger. All expenditures are made from the Inmate Trust Account and are not filed with and allowed by the Board of County Commissioners.
- Inmate Trust records for the period of July 1, 2007 through August 1, 2010, could not be located.

Cause of Condition: Policies and procedures have not been designed regarding the Inmate Trust Fund.

Effect of Condition: These conditions could result in the County being in noncompliance with statutes, laws, regulations, or legislative intent. Also, without proper accounting and safeguarding of the Inmate Trust Account, there is an increased risk of misappropriation of funds.

Recommendation:

Inmate Trust Fund Account:

OSAI recommends that the Sheriff maintain Inmate Trust Fund monies in a manner that reflects all Inmate Trust deposits, disbursements, and account balances. The Inmate Trust Fund balances should be reconciled to the bank statements each month, collection of inmate monies should be deposited daily, and no operating expenditures should be made from this fund. All checks issued from the Inmate Trust Fund should be signed and have two authorized signatures. All records should be maintained to be made available for the audit.

Sheriff's Commissary Account:

OSAI recommends that the County Sheriff establish a Commissary Account in accordance with 19 § 180.43 (D). Also, the County Sheriff shall file an annual report of the commissary with the County Commissioners by January 15, of each year.

Management Response:

County Sheriff: This office will implement policies to ensure the following: Bank reconciliations will be performed; inmate trust disbursements will have two authorized signatures; the Sheriff's office will make daily deposits; the Sheriff's office will file an annual report with the Commissioners by January 15th of each year; this office will open a Commissary Account with the County Treasurer and expenditures will be approved by Commissioners; and the Inmate Trust records were not available during a time frame that was before the current Administrator took office. All records during his administration will be labeled, packaged, and stored in the storage area beside the sally port.

Criteria: Effective accounting procedures and internal controls are necessary to ensure stewardship and accountability of public funds. Safeguarding controls are an aspect of internal controls. Safeguarding controls relate to the prevention or timely detection of unauthorized transaction and unauthorized access to assets. Failure to perform tasks that are part of internal controls, such as reconciliations not performed or not timely prepared, are deficiencies in internal control. Further, reconciliations should be performed on a monthly basis.

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Effective internal controls should provide for procedures wherein receipts for the monies collected are maintained and available for inspection and deposits are made in a timely manner.

Title 19 O.S. § 531 (A) states, “Notwithstanding any other provisions of law, the county sheriff may establish a checking account, to be designated the “Inmate Trust Fund Checking Account” to be managed by the county sheriff and maintained separately from regular county funds. The checking account shall be subject to audit by the State Auditor and Inspector. The county sheriff shall deposit all monies collected from inmates incarcerated in the county jail into this checking account and may write checks to the Sheriff’s Commissary Account for purchases made by the inmate during his or her incarceration and to the inmate from unencumbered balances due the inmate upon his or her discharge.”

Title 19 O.S. § 180.43 (D) states in part, “Any funds received pursuant to said operations shall be the funds of the county where the persons are incarcerated and shall be deposited in the Sheriff’s Commissary Account. The sheriff shall be permitted to expend the funds to improve or provide jail services. The sheriff shall be permitted to expend any surplus in the Sheriff’s Commissary Account for administering expenses for training equipment, travel or for capital expenditures. The claims for expenses shall be filed with and allowed by the board of county commissioners in the same manner as other claims. The Sheriff shall receive no compensation for the operation of said commissary. The sheriff shall file an annual report on any said commissary under his or her operation no later than January 15 of each year.”

Finding 2009-14 – Inadequate Segregation of Duties Over the Sheriff’s Inmate Trust Account (Repeat Finding)

Condition: There is inadequate segregation of duties regarding the County Sheriff’s Inmate Trust Account.

- The Jail Administrator performs all of the daily activity in the Inmate Trust Account. She issues receipts for mailed in payments, prepares and makes the bank deposits, prepares inmate reports, and has control of the bank statement.

Cause of Condition: Policies and procedures have not been designed regarding segregation of duties and/or compensating controls for the Inmate Trust Account.

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

Recommendation: OSAI recommends management be aware of this condition and determine how to properly segregate duties. OSAI further recommends implementing compensating controls to mitigate the risks involved with a concentration of duties. Compensating controls would include separating key

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processes and/or critical functions of the office, and having management review and approve the accounting functions.

Management Response:

County Sheriff: The Inmate Trust account balances and deposits will be countersigned by another employee.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, the duties of receiving, receipting, recording, depositing cash and checks, reconciliations, and transaction authorization should be segregated.

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Finding 2008-17 – Lack of Internal Controls Over Compliance Requirements - FEMA

PASS-THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: United States Department of Homeland Security

CFDA NO: 97.036

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

FEDERAL AWARD NUMBER: 1678, 1707, 1712, 1752, and 1754

FEDERAL AWARD YEAR: 2008

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

QUESTIONED COSTS: \$-0-

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

Status: No corrective action was taken.

Finding 2008-19 – Inaccurate Supporting Documentation - Labor and Equipment - FEMA

PASS-THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: United States Department of Homeland Security

CFDA NO: 97.036

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

FEDERAL AWARD NUMBER: 1712

FEDERAL AWARD YEAR: 2008

CONTROL CATEGORY: Allowable Costs/Cost Principles

QUESTIONED COSTS: \$2,567.84

Summary of Condition: While performing testwork, it was noted that employees' times sheets did not agree to the force account summaries regarding labor and equipment, resulting in questioned costs of \$2,567.84.

Status: No corrective action was taken.

Finding 2008-20 – County-Wide Controls Over Major Programs - FEMA

PASS-THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: United States Department of Homeland Security

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CFDA NO: 97.036

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

FEDERAL AWARD NUMBER: 1678, 1707, 1712, 1752, and 1754

FEDERAL AWARD YEAR: 2008

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

QUESTIONED COSTS: \$-0-

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

Status: No corrective action was taken.

Finding 2008-21 – Scope of Work - FEMA

PASS-THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: United States Department of Homeland Security

CFDA NO: 97.036

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

FEDERAL AWARD NUMBER: 1712

FEDERAL AWARD YEAR: 2008

CONTROL CATEGORY: Allowable Costs/Cost Principles

QUESTIONED COSTS: \$37,069.93

Summary of Condition: The County did not have documentation to support the scope of work for materials listed on several project worksheets resulting in questioned costs of \$37,069.93.

Status: No corrective action was taken.

Finding 2007-9 – Inaccurate Overtime Benefit Rate - FEMA

PASS-THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: United States Department of Homeland Security

CFDA NO: 97.036

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

FEDERAL AWARD NUMBER: DR-1678-1707

FEDERAL AWARD YEAR: FY 2007

CONTROL CATEGORY: A-Activities Allowed; B-Allowable Cost

QUESTIONED COSTS: \$1,902.52

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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).

Status: No corrective action was taken.

Finding 2007-10 – Noncompliance to Grant Requirements - FEMA

PASS-THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: United States Department of Homeland Security

CFDA NO: 97.036

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

FEDERAL AWARD NUMBER: DR-1678 and 1707

FEDERAL AWARD YEAR: 2007

CONTROL CATEGORY: A-Activities Allowed; B-Allowable Cost

QUESTIONED COSTS: \$26,533.68

Summary of Condition: McIntosh County expended \$425,997.72 in Disaster Grants-Public Assistance funding of which \$110,097.46 was classified as labor costs that included \$26,553.68 in questioned costs due improper labor cost charged to the project worksheet.

Status: No corrective action was taken.

Finding 2007-11 – Inaccurate Supporting Documentation - Labor and Equipment - FEMA

PASS-THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: United States Department of Homeland Security

CFDA NO: 97.036

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

FEDERAL AWARD NUMBER: DR-1678 and 1707

FEDERAL AWARD YEAR: 2007

CONTROL CATEGORY: A-Activities Allowed; B-Allowable Cost

QUESTIONED COSTS: \$89,169.15

Condition: McIntosh County expended \$425,997.72 in Disaster Grants-Public Assistance funding of which \$110,097.46 was classified as labor costs. This included \$56,125.52 undocumented labor costs and \$6,875.00 in undocumented debris disposal costs, for a total of \$63,000.62 in questioned costs due to a 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 cost for May 9 and May 10 represented duplicate charges to Project Worksheet #213 and Project Worksheet #217.

Status: No corrective action was taken.

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

Finding 2007-12 – Inaccurate Equipment Rates Charged - FEMA

PASS-THROUGH GRANTOR: Oklahoma Department of Emergency Management
FEDERAL AGENCY: United States Department of Homeland Security
CFDA NO: 97.036
FEDERAL PROGRAM NAME: Disaster Grants-Public Assistance (Presidentially Declared Disasters)
FEDERAL AWARD NUMBER: DR-1678 and 1707
FEDERAL AWARD YEAR: 2007
CONTROL CATEGORY: A-Activities Allowed; B-Allowable Cost
QUESTIONED COSTS: \$5,363.86

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 of \$1,980.86. In addition, although the County maintains a copy of the FEMA Equipment Rate Schedule within the grant files, the use of the wrong equipment rate resulted in an over charge of \$3,383.00 for the use of equipment.

Status: No corrective action was taken.

Finding 2007-13 – Inconsistent/Inaccurate Records - FEMA

PASS-THROUGH GRANTOR: Oklahoma Department of Emergency Management
FEDERAL AGENCY: United States Department of Homeland Security
CFDA NO: 97.036
FEDERAL PROGRAM NAME: Disaster Grants-Public Assistance (Presidentially Declared Disasters)
FEDERAL AWARD NUMBER: DR-1678 and 1707
FEDERAL AWARD YEAR: 2007
CONTROL CATEGORY: A-Activities Allowed; B-Allowable Cost
QUESTIONED COSTS: \$-0-

Summary of Condition: The County did not always use the proper equipment rate for the equipment or work and employees' timesheets did not agree to the daily activity reports.

Status: No corrective action was taken.

Finding 2007-14 – Overcharge of Purchases/Maintenance and Repairs - FEMA

PASS-THROUGH GRANTOR: Oklahoma Department of Emergency Management
FEDERAL AGENCY: United States Department of Homeland Security
CFDA NO: 97.036
FEDERAL PROGRAM NAME: Disaster Grants-Public Assistance (Presidentially Declared Disasters)
FEDERAL AWARD NUMBER: DR-1678 and 1707
FEDERAL AWARD YEAR: 2007

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

CONTROL CATEGORY: A-Activities Allowed; B-Allowable Cost
QUESTIONED COSTS: \$6,457.97

Summary of 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 resulting in questioned costs of \$6,457.97.

Status: No corrective action was taken.

Finding 2007-15 – Inadequate Supporting Documentation for Contract Labor - FEMA

PASS-THROUGH GRANTOR: Oklahoma Department of Emergency Management
FEDERAL AGENCY: United States Department of Homeland Security
CFDA NO: 97.036
FEDERAL PROGRAM NAME: Disaster Grants-Public Assistance (Presidentially Declared Disasters)
FEDERAL AWARD NUMBER: DR-1678 and 1707
FEDERAL AWARD YEAR: 2007
CONTROL CATEGORY: A-Activities Allowed; B-Allowable Cost
QUESTIONED COSTS: \$12,840.00

Condition: McIntosh County charged contract labor costs to Disaster Grants-Public Assistance projects without adequate supporting documentation. In addition, work was not performed immediately after the disaster which resulted in questioned costs of \$12,840.00.

Status: No corrective action was taken.

Finding 2007-16 – Inadequate Controls Over Cash Management - FEMA

PASS-THROUGH GRANTOR: Oklahoma Department of Emergency Management
FEDERAL AGENCY: United States Department of Homeland Security
CFDA NO: 97.036
FEDERAL PROGRAM NAME: Disaster Grants-Public Assistance (Presidentially Declared Disasters)
FEDERAL AWARD NUMBER: DR-1678 and 1707
FEDERAL AWARD YEAR: 2007
CONTROL CATEGORY: Cash Management
QUESTIONED COSTS: \$0

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.

Status: No corrective action was taken.



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