

COUNTY AUDIT

OSAGE 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

**OSAGE 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

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November 19, 2012

TO THE CITIZENS OF
OSAGE COUNTY, OKLAHOMA

Transmitted herewith is the audit of Osage 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

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

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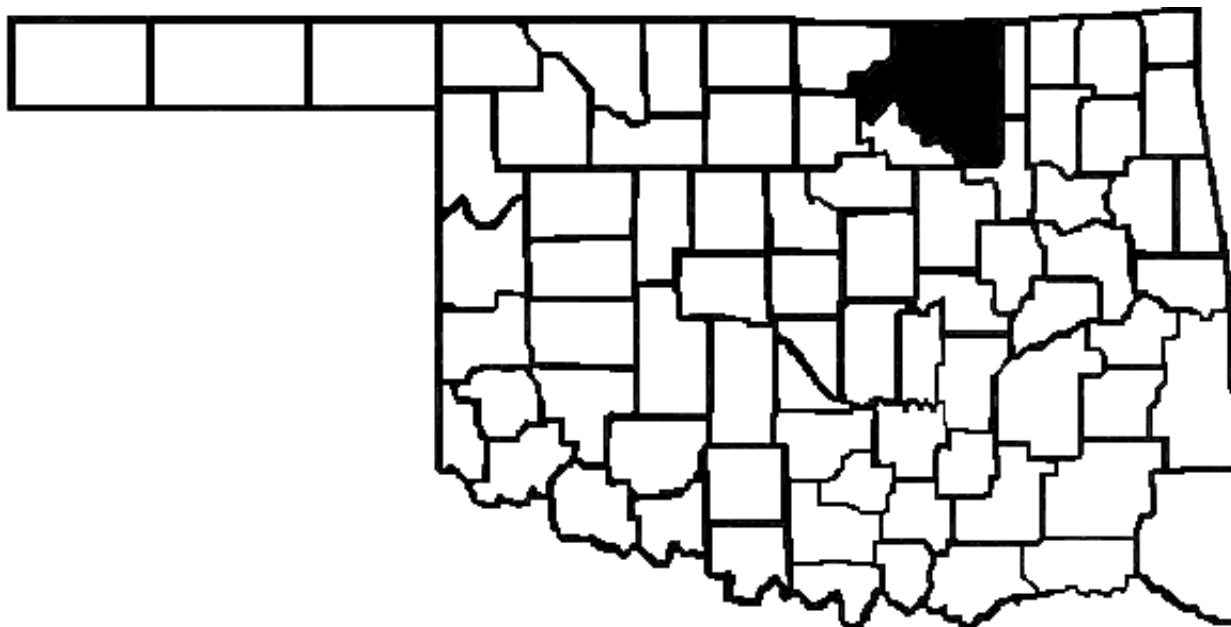
**OSAGE COUNTY, OKLAHOMA
FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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



In 1872, the United States government purchased land from the Cherokee Nation for the Osage Nation and it was then that the tribe moved to Indian Territory. At statehood in 1907, this Osage Reservation became Osage County, the largest county in Oklahoma. The name is a corruption by the French of the tribal name Wah-Sha-She. Pawhuska, the county seat, was named for Chief Pa-hue-Skah, which means “white hair.”

Oil and gas as well as horse and cattle ranching on the famous bluestem grass contribute to the economy of Osage County. Attractions to the county include Indian and western cultural activities, museums, recreational facilities, lakes, creeks, rivers, the Tall Grass Prairie Reserve north of Pawhuska, the Osage Tribal Museum and Headquarters in Pawhuska, and Osage Hills State Park.

For more information, call the county clerk’s office at (918) 287-3136.

County Seat – Pawhuska

Area - 2,303.80 Square Miles

County Population – 45,523 (2007 est.)

Farms – 1,481

Land in Farms – 1,290,680 Acres

Primary Source: Oklahoma Almanac 2009-2010

See independent auditor’s report.

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

COUNTY ASSESSOR
Gail Hedgcoth

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

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

COUNTY CLERK
Denny Hutson

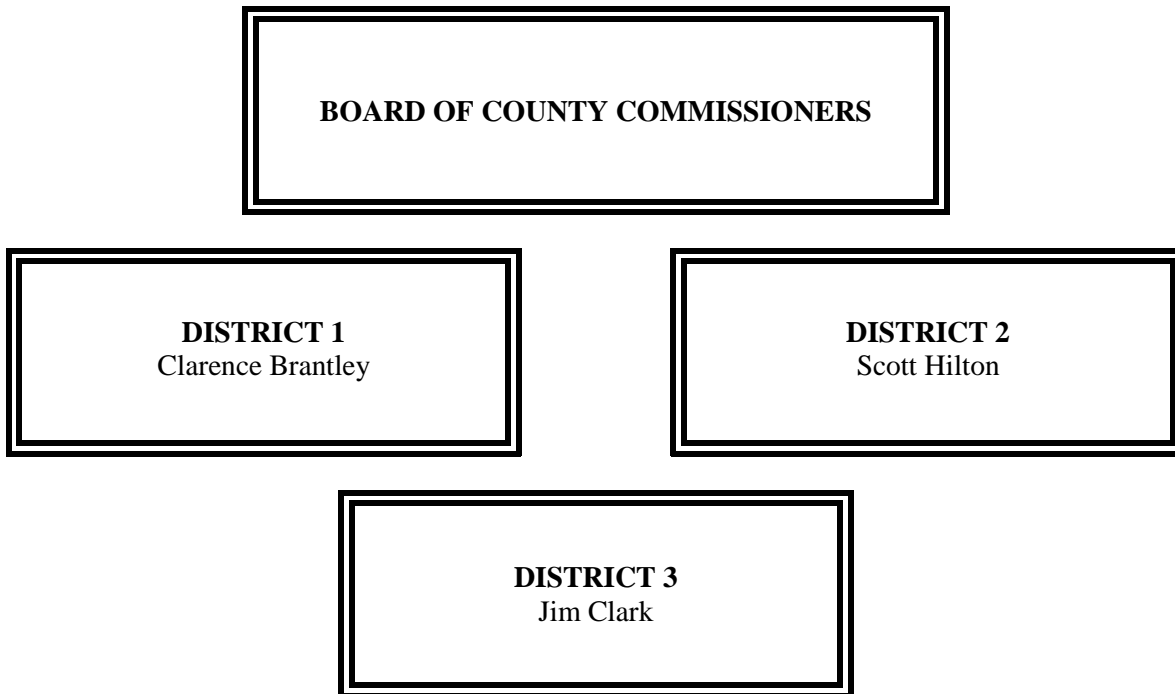
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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

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

See independent auditor's report.

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



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

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

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

See independent auditor's report.

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

COUNTY SHERIFF
Ty Koch

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

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

COUNTY TREASURER
Joyce Hathcoat

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

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

See independent auditor's report.

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

COURT CLERK
Angie Bruce

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

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

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

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

DISTRICT ATTORNEY
Larry Stuart

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

See independent auditor's report.

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

ELECTION BOARD SECRETARY
Andrea Conner

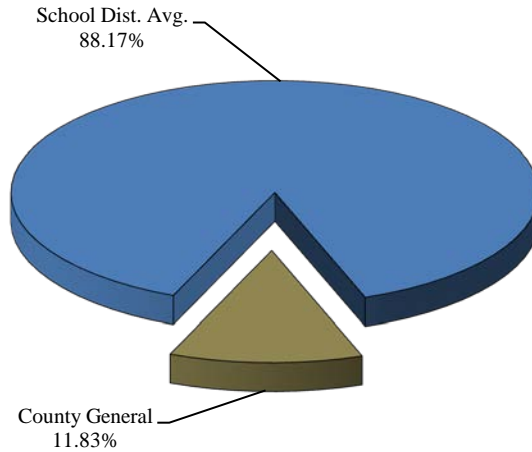
The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the county. The Board also conducts all elections held within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

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

See independent auditor's report.

**OSAGE 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	Common	Fire District	Total	
County General	10.00									
		Pawhuska	2	35.00	5.00	25.05	7.50	4.00	76.55	
		Osage Hills	3	35.00	5.00	9.98	15.00	4.00	68.98	
<u>Town and Cities</u>		Bowring	7	35.00	5.00	7.22		4.00	51.22	
Tulsa	14.08	Shidler	11	35.00	5.00	7.73		4.00	51.73	
Sand Springs	10.74	Barnsdall	29	35.00	5.00	10.23	15.00	4.00	69.23	
Anderson	10.74	Wynona	30	35.00	5.00	20.65	15.00	4.00	79.65	
Dewey	10.79	Avant	35	35.00	5.00	14.55	15.00	4.00	73.55	
Bartlesville	10.79	Hominy	38	35.00	5.00	24.71	13.00	4.00	81.71	
		Prue	50	35.00	5.00	3.98		4.00	47.98	
		Anderson	52	35.00	5.00	7.00		4.00	51.00	
		McCord	77	35.00	5.00	13.87	15.00	4.00	72.87	
		Woodland	90	35.00	5.00	13.57	15.00	4.00	72.57	
		Tulsa	J-1	35.00	5.00	24.10	13.00	4.00	81.10	
		Sand Springs	J-2	35.00	5.00	27.15	13.00	4.00	84.15	
		Skiatook	J-7	35.00	5.00	22.59	13.00	4.00	79.59	
		Sperry	J-8	35.00	5.00	23.05	13.00	4.00	80.05	
		Dewey	12-7	35.00	5.00	11.79	15.00	4.00	70.79	
		Cleveland	J-6	35.00	5.00	25.11	13.00	4.00	82.11	
		Caney Valley	J-16	35.00	5.00	6.13	15.00	4.00	65.13	
		Bartlesville	J-30	35.00	5.00	20.44	15.00	4.00	79.44	
		Ponca City	J-71	35.00	5.00	19.70	15.00	4.00	78.70	
		Blackdog Fire Dist.	101-2	35.00	5.00	24.10	13.00	4.00	7.00	88.10
		Blackdog Fire Dist.	102-2	35.00	5.00	27.15	13.00	4.00	7.00	91.15
		Blackdog Fire Dist.	108-2	35.00	5.00	23.05	13.00	4.00	7.00	87.05
		Country Corner Fire	107-1	35.00	5.00	23.05	13.00	4.00	7.00	87.05

See independent auditor's report.

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

Total net assessed value as of January 1, 2008		<u>\$ 235,633,733</u>
Debt limit - 5% of total assessed value		11,781,687
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	-	<u>-</u>
Legal debt margin		<u>\$ 11,781,687</u>

See independent auditor's report.

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

	2009
Estimated population	45,523
Net assessed value as of January 1, 2008	\$ 235,633,733
Gross bonded debt	-
Less available sinking fund cash balance	-
Net bonded debt	\$ -
Ratio of net bonded debt to assessed value	0.00%
Net bonded debt per capita	\$ -

See independent auditor's report.

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

Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2008	\$36,803,041	\$29,959,799	\$179,134,584	\$10,263,691	\$235,633,733	\$1,963,614,442

See independent auditor's report.

FINANCIAL SECTION



Oklahoma State Auditor & Inspector

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

Independent Auditor's Report

TO THE OFFICERS OF
OSAGE COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Osage County, Oklahoma, as of and for the year ended June 30, 2009, listed in the table of contents as the basic financial statement. This financial statement is the responsibility of Osage County's management. Our responsibility is to express an opinion on this financial statement based on our audit.

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

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

In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Osage 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 of Osage 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 October 17, 2012, on our consideration of Osage County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the combined total of all funds within the basic financial statement taken as a whole. The combining information is presented for purposes of additional analysis rather than to present the receipts, disbursements, and cash balances of the individual funds. Also, the other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis, and is not a required part of the basic financial statement. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statement. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statement taken as a whole. The information listed in the table of contents under Introductory Section has not been audited by us, and accordingly, we express no opinion on it.

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

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

October 17, 2012

Basic Financial Statement

**OSAGE COUNTY, OKLAHOMA
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
(WITH COMBINING INFORMATION)
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	Beginning Cash Balances July 1, 2008	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2009
Combining Information:				
County General	\$ 2,089,207	\$ 3,515,992	\$ 3,329,731	\$ 2,275,468
T-Highway	4,398,814	7,584,210	8,645,263	3,337,761
Resale Property	741,399	282,336	236,163	787,572
County Health for the Elderly	1,042,345	1,043,931	473,682	1,612,594
Special Insurance	48,696			48,696
Sheriff Equipment	832			832
Sheriff B-4	180,962	246,753	224,107	203,608
Records Management and Preservation Fund	247,838	47,485	48,983	246,340
County Clerk's Lien Fee	64,051	16,784	10,292	70,543
Treasurer's Mortgage Certification Fee	91,602	9,235	10,330	90,507
CDBG Water Grant		1,250	1,250	
Community Service	5,347			5,347
Capital Outlay and Equipment	1,037			1,037
Sheriff Cash	205,255	119,353	136,802	187,806
County Assessor Cash Fund	17,953	11,719	4,950	24,722
Osage County Nutrition Program	41,534	667,488	619,981	89,041
Osage County Trash COP	240			240
Law Enforcement Block Grant	565			565
Local Emergency Planning Committee	2,077		921	1,156
County Building Fund	1,013			1,013
Sales Tax (1%)	9,424,988	4,259,953	4,105,670	9,579,271
Courthouse Security	23,683	25,873	16,903	32,653
Use Tax	1,852,847	1,018,960	1,790,539	1,081,268
Emergency Management EOP Grant	24			24
SLA Grant Supplemental Award		5,000		5,000
Special E-911 Fund	204,243	68,664	172,133	100,774
E-911 Wireless	176,148	102,380	100,160	178,368
County Lodging Tax	140,155	89,198	72,920	156,433
Combined Total--All County Funds	\$ 21,002,855	\$ 19,116,564	\$ 20,000,780	\$ 20,118,639

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

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

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

B. Fund Accounting

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

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

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

T-Highway – revenues are from state imposed fuel taxes. Disbursements are for the maintenance and construction of county roads and bridges.

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

County Health for the Elderly – accounts for sales tax collections and for monies collected for performing health related services for the elderly. Disbursements are for expenditures for performing these services.

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

Special Insurance – accounts for insurance reimbursements received for damages to county property. Disbursements were for repairs to county property.

Sheriff Equipment – accounts for donations received for the purpose of purchasing special equipment for the Sheriff's department.

Sheriff B-4 – accounts for the collection and disbursement of sheriff process service fees as restricted by statute.

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

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

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

CDBG Water Grant – accounts for grant funds received from community development of water district projects.

Community Service – revenues are from state funds for reimbursement of administrative expenses for people sentenced to community service.

Capital Outlay and Equipment – accounts for the collection and disbursement of funds collected to support capital improvements.

Sheriff Cash – 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 sheriff expenditure.

County Assessor Cash Fund – revenues are from fees charged by the County Assessor (copies, etc.). Disbursements are for any legal expense of the Assessor's office.

Osage County Nutrition Program – a Title 3 program which provides meals, both congregate and individual, to senior citizens who are 60 years old or older and who are unable to leave their residence without assistance.

Osage County Trash COP – accounts for monies collected from fines and apportionments used to prevent the dumping of trash throughout the County.

Law Enforcement Block Grant – accounts for the collection and disbursement of grant money supplied to the County by the Department of Justice for local law enforcement agencies.

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

Local Emergency Planning Committee – revenues are from a grant from the state to cover the cost of paperwork for hazardous materials that are moved within the County. Disbursements may be used for anything that pertains to LEPC (Local Emergency Planning Committee).

County Building Fund – accounts for funds remaining from building projects.

Sales Tax (1%) – accounts for sales tax collections received for operating and maintaining the County jail.

Courthouse Security – revenues are from a portion of fines collected within the County. Disbursements may be used for anything that pertains to security at the Courthouse.

Use Tax – accounts for receipts of Oklahoma Tax Commission collection of county use tax. Disbursements are made for the construction, purchase, and/or maintenance of county buildings.

Emergency Management EOP Grant – accounts for the receipt and disbursement of funds from federal and state sources for emergency management and other civil defense purposes.

SLA Grant Supplemental Award - accounts for the receipt and disbursement of funds from federal and state sources for emergency management and other civil defense purposes.

Special E-911 Fund – accounts for the collection of fees charged on telephone bills for the County’s emergency 911 system. Disbursements are for expenditures related to providing these services.

E-911 Wireless – accounts for the collection of fees charged on cellular telephone bills for the County’s wireless emergency 911 system. Disbursements are for expenditures related to providing these services.

County Lodging Tax – revenues are from 5% tax collected by the Oklahoma Tax Commission from the hotels and motels in the County. Disbursements may only be used for things related to tourism.

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

C. Basis of Accounting

The basic financial statement is prepared on a basis of accounting wherein amounts are recognized when received or disbursed. This basis of accounting differs from accounting

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

principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred. This cash basis financial presentation is not a comprehensive measure of economic condition or changes therein.

D. Budget

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

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

E. Cash

The County pools the cash of its various funds in maintaining its bank accounts. However, cash applicable to a particular fund is readily identifiable on the County's books. The balance in the pooled cash accounts is available to meet current operating requirements.

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

F. Investments

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

- U.S. Government obligations
- Certificates of deposit
- Savings accounts
- G.O. bonds issued by counties, municipalities or school districts
- Money judgments against counties, municipalities or school districts
- Bonds and revenue notes issued by a public trust when the beneficiary of the trust is a county, municipality or school district
- Negotiable certificates of deposit
- Prime bankers acceptance which are eligible for purchase by the Federal Reserve System

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

- Prime commercial paper with a maturity of 180 days or less
- Repurchase agreements
- Money market funds regulated by the Securities and Exchange Commission and which investments consist of the above-mentioned types of investments

All investments must be backed by the full faith and credit of the United States Government, the Oklahoma State Government, fully collateralized, or fully insured.

G. Compensated Absences

All full-time employees shall be entitled to vacation leave in accordance with the following schedule:

Years of Service	Vacation Leave
At least 1 year but less than 6 years	10 days
At least 6 years but less than 21 years	15 days
21 years or more	20 days

No vacation will be longer than ten consecutive working days without permission of the appropriate elected official. Vacation leave accrues annually at each employee's date of hire. No vacation leave shall be accumulated from year to year. Upon separation, employees are not entitled to payment of accumulated annual leave and such leave shall be forfeited.

All full-time employees shall be entitled to sick leave with pay that is accrued on a monthly basis. Sick leave shall accumulate at the rate of ten hours for each calendar month of service to the County. Sick leave may be accrued up to a maximum of 1,040 hours. When terminating employment with the County, an employee may not collect pay for accrued sick leave.

2. Ad Valorem Tax

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

The assessed property value as of January 1, 2008, was approximately \$235,633,733.

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

The County levied 10.00 mills (the legal maximum) for general fund operations. In addition, the County collects the ad valorem taxes assessed by cities and towns and school districts and remits the ad valorem taxes collected to the appropriate taxing units.

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

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.

Current year tax collections for the year ended June 30, 2009, were approximately 93.32 percent of the tax levy.

3. Fuel Tax

The County receives major funding for roads and highways from a state imposed fuel tax. Taxes are collected by the Oklahoma Tax Commission. Taxes are imposed on all gasoline, diesel, and special fuel sales statewide. The County's share is determined on formulas based on the County population, road miles, and land area and is remitted to the County monthly. These funds are earmarked for roads and highways only and are accounted for in the county highway fund.

4. Risk Management

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

OPEH&WP – The County has entered into an interlocal agreement with other governmental entities to participate in a pooled self-insurance fund to provide insurance coverage. The pool provides for surcharges to be assessed for claims in excess of pool assets to offset pool deficits. Settled claims have not exceeded insurance coverage for each of the past three fiscal years. There have been no significant reductions in coverage from the prior fiscal year.

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

5. Long-term Obligations

Capital Leases

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

6. Pension Plan

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

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

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

7. Other Post Employment Benefits (OPEB)

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

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

8. Contingent Liabilities

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

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

9. Sales Tax

On February 8, 1994, Osage County voters approved a 1% (one cent) county-wide sales tax. The sales tax is to be used as follows:

- 1% Collection and enforcement of the sales tax.
- 99% For the payment of debt service incurred for the construction of new county jail facilities and for maintenance and operation of the new jail and increased personnel, equipment, and operation costs of the Osage County Sheriff's Office.

Annual collections are first applied to fully satisfy annual debt service payments and the remainder of annual collections to be applied towards the other specified purposes. The sales tax became effective July 1, 1994, and has a duration of twenty years.

On July 25, 2006, Osage County voters approved a one quarter of one percent (.25%) county-wide sales tax. The sales tax is to be used exclusively to maintain and establish a County Department of Health. The sales tax became effective December 1, 2006, and has an unlimited duration.

OTHER SUPPLEMENTARY INFORMATION

OSAGE 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		
	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 2,089,207	\$ 2,089,207	\$ -
Less: Prior Year Outstanding Warrants	(230,960)	(230,880)	80
Less: Prior Year Encumbrances	(46,064)	(44,998)	1,066
Beginning Cash Balances, Budgetary Basis	<u>1,812,183</u>	<u>1,813,329</u>	<u>1,146</u>
Receipts:			
Ad Valorem Taxes	2,142,125	2,336,457	194,332
Charges for Services	268,270	228,506	(39,764)
Intergovernmental Revenues	657,909	724,764	66,855
Miscellaneous Revenues	284,532	226,265	(58,267)
Total Receipts, Budgetary Basis	<u>3,352,836</u>	<u>3,515,992</u>	<u>163,156</u>
Expenditures:			
District Attorney	137,400	127,787	9,613
County Sheriff	62,663	57,863	4,800
County Treasurer	146,000	146,000	
County Commissioners	166,388	166,388	
OSU Extension	103,280	69,283	33,997
County Clerk	267,950	239,430	28,520
Court Clerk	144,950	144,447	503
County Assessor	368,384	329,767	38,617
Revaluation of Real Property	565,863	504,617	61,246
Juvenile Shelter Bureau	9,500	9,500	
General Government	1,666,889	443,844	1,223,045
Excise-Equalization Board	10,000	8,229	1,771
County Election Expense	103,688	98,133	5,555
Insurance	798,348	578,626	219,722
County Purchasing Agent	23,500	22,900	600
Data Processing	35,000	22,056	12,944
Charity	6,060	1,772	4,288
County Emergency Management	46,300	43,891	2,409
County Planning and Zoning	158,800	126,550	32,250
County Public Defender	100,900	84,788	16,112

continued on next page

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

OSAGE 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

continued from previous page

	Final Budget	Actual	Variance
County Civil Defense	23,000	22,615	385
County Solid Waste	40,800	36,147	4,653
County Soil Conservation District	152,800	140,575	12,225
County Audit Budget Account	23,556		23 556
Provision for Interest on Warrants	3,000		3,000
Total Expenditures, Budgetary Basis	<u>5,165,019</u>	<u>3,425,208</u>	<u>1,739,811</u>
 Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	 <u>\$ -</u>	 1,904,113	 <u>\$ 1,904,113</u>
 Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		134,444	
Add: Current Year Outstanding Warrants		236,911	
Ending Cash Balance		<u>\$ 2,275,468</u>	

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

**OSAGE COUNTY, OKLAHOMA
NOTE TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Budgetary Schedule

The Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis for the General Fund presents 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.

See independent auditor's report.

**OSAGE 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:			
Flood Control Projects	12.106		\$ 23,878
Total U.S. Department of Defense			<u>23,878</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed through the Oklahoma Department of Commerce:			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228		1,250
Total U.S. Department of Housing and Urban Development			<u>1,250</u>
U.S. DEPARTMENT OF INTERIOR			
Direct Grant:			
Payments in Lieu of Taxes	15.226		154,300
Total U.S. Department of Interior			<u>154,300</u>
U.S. DEPARTMENT OF TRANSPORTATION			
Passed Through the Oklahoma Department of Transportation:			
State and Community Highway Safety	20.600		26,000
Total U.S. Department of Transportation			<u>26,000</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through the Tulsa Area Agency on Aging:			
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	*	20,715
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	*	241,271
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	*	52,139
Total CFDA 93.045			<u>293,410</u>
Nutrition Services Incentive Program	93.053	*	75,070
Total U.S. Department of Health and Human Services			<u>389,195</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed Through the Oklahoma Department of Emergency Management:			
Disaster Grants - Public Assistance (Presidentially Declared Disaster)	97.036	DR1775	148,632
Disaster Grants - Public Assistance (Presidentially Declared Disaster)	97.036	DR1735	202,817
Total U.S. Department of Homeland Security			<u>351,449</u>
Total Expenditures of Federal Awards			<u>\$ 946,072</u>

* indicates a cluster program

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

**OSAGE 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 Osage County, and is presented on the *cash basis of accounting*. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

See independent auditor's report.

INTERNAL CONTROL AND COMPLIANCE SECTION



Oklahoma State Auditor & Inspector

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

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

TO THE OFFICERS OF
OSAGE COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Osage County, Oklahoma, as of and for the year ended June 30, 2009, which comprises Osage County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated October 17, 2012. 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 Osage 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 Osage 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. 2009-2, 2009-4, 2009-6, 2009-17, and 2009-24.

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, 2009-5, 2009-7, 2009-8, 2009-10, 2009-14, and 2009-25.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Osage County's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2009-2.

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

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

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



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

October 17, 2012



Oklahoma State Auditor & Inspector

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

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

TO THE OFFICERS OF
OSAGE COUNTY, OKLAHOMA

Compliance

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

As described in items 2009-16 and 2009-21, in the accompanying schedule of findings and questioned costs, Osage County did not comply with requirements regarding Allowable Costs/Cost Principles and Procurement, Suspension and Debarment that are applicable to its Disaster Grants - Public Assistance (Presidentially Declared Disasters) (97.036) program and Eligibility that is applicable to its Special Programs for the Aging-Title III, Part B-Grants for Supportive Services and Senior Centers (93.044), Special Programs for the Aging-Title III, Part C-Nutrition Services (93.045), and Nutrition Services Incentive Programs (93.053). Compliance with such requirements is necessary, in our opinion, for Osage 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 programs for the year ended June 30, 2009. The results of our auditing procedures also disclosed another instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2009-19.

Internal Control Over Compliance

Management of Osage 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 Osage 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 Osage 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, 2009-18, and 2009-21 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 2009-9, 2009-19, 2009-20, 2009-22, and 2009-23 to be significant deficiencies.

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

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

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

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

October 17, 2012

**OSAGE 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)? Yes

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

Federal Awards

Internal control over major programs:

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

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

- Qualified - Disaster Grants – Public Assistance (Presidentially Declared Disasters (97.036)
- Qualified - Special Programs for the Aging-Title III, Part B-Grants for Supportive Services and Senior Centers (93.044), Special Programs for the Aging-Title III, Part C-Nutrition Services (93.045), and Nutrition Services Incentive Programs (93.053)

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

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

Identification of Major Programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)
93.044	Special Programs for the Aging-Title III, Part B-Grants for Supportive Services and Senior Centers
93.045	Special Programs for the Aging-Title III, Part C-Nutrition Services
93.053	Nutrition Services Incentive Program

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

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

**OSAGE 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 2009-2 - Pledged Collateral

Condition: During the month of June 2009, the County had unsecured deposits of \$868,000.00.

In addition, the County Treasurer could not provide documentation of pledged collateral and therefore the sufficient amount of pledged collateral could not be determined for the following time period and amount of deposit.

- June 2009 - \$3,978,000.00

Cause of Condition: The County relied upon the banks to keep them current on pledged collateral.

Effect of Condition: This condition could result in the possible loss of county funds.

Recommendation: OSAI recommends management establish policies and procedures to periodically compare the amount of pledged collateral to amounts deposited, to ensure pledges are adequate, and all deposits are secured.

Management Response:

Joyce Hathcoat -- County Treasurer –

We had a letter of credit for \$1,000,000.00 for American Bank. We realized that it lapsed at the end of the year. They normally issue the letter of credit on June 30th, but this particular year, it was issued on June 1st. It was a mistake on our part and we did not catch it. We realize now we need collateral reports on a monthly basis instead of the quarterly basis we were receiving them.

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.

Finding 2009-5—Purchasing (Repeat Finding)

Condition: The test of 70 purchase orders revealed the following:

- The invoice date and/or service date were prior to the encumbrance date in four instances.

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

- There was no signature on the receiving report in four instances.
- Purchases paid with handwritten warrants were not properly encumbered prior to receipt of goods or service.
- Purchase order paid with handwritten warrant was not approved by management and the purchase had white out over the date and warrant number in one instance.
- Purchase order paid with handwritten warrant had no supporting documentation in one instance.
- Signature stamps were used to sign warrants. The Clerk has access to the BOCC Chairman's signature stamp.

Cause of Condition: Procedures have not been designed to ensure purchasing procedures are followed and controls are in place.

Effect of Condition: These conditions could result in unauthorized transactions and misappropriation of assets.

Recommendation: OSAI recommends the County adhere to state statutes with regard to purchasing procedures and all warrants should have at least one original signature.

Management Response:

Denny Hutson – Osage County Clerk –

- All departments have been reminded they must have a purchase order encumbered before they purchase anything or have any service performed.
- The County Clerk's staff has been reminded to pay closer attention when auditing purchase orders for payment and to make sure all necessary documentation is attached and all receiving reports are signed.
- Since a purchase order paid with a handwritten warrant cannot be encumbered at the time the handwritten warrant is posted, it has been the practice not to encumber a purchase order when it is known it will be paid with a handwritten warrant. This was done to eliminate the errors caused by staff forgetting to unencumber the purchase order before the handwritten warrant was posted. The County Officers have agreed to try to stop the practice of issuing handwritten warrants, but in the event one has to be issued, the purchase order will be encumbered first, then unencumbered before a handwritten warrant is issued.

Jim Clark – Osage County BOCC Chairman –

Osage County will make a line item for known travel plans in their budget requests.

Criteria: Statutory control procedures have been established for the requisition, purchase, lease-purchase, rental, and receipt of supplies, material, and equipment for maintenance, operation, and capital expenditures of county government.

Title 19 O.S. § 1505.C.2 states in part:

The county clerk shall then encumber the amount stated on the purchase order and assign a sequential number to the purchase order.

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Title 19 O.S. § 1505.C.3 states in part:

...In instances where it is impossible to ascertain the exact amount of the indebtedness sought to be incurred at the time of recording the encumbrance, an estimated amount may be used. No purchase order shall be valid unless signed by the county purchasing agent and certified by the county clerk.

Title 19 O.S. § 1505.C.3 states in part:

Part E provides for the procedure for the receipt of items.

Finding 2009-6—Segregation of Duties-Payroll (Repeat Finding)

Condition: A lack of segregation of duties exists in the County Clerk's office because the payroll clerk adds new hires to the payroll system, makes changes to payroll, processes payroll claims, issues payroll, prints payroll, and has access to blank warrants and signature stamps. There are no original signatures on the warrants.

Cause of Condition: Procedures have not been designed to adequately segregate the duties within the payroll department.

Effect of Condition: These conditions could result in unauthorized transactions and misappropriation of assets.

Recommendation: OSAI recommends management be aware of these conditions and realize that concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective controls lie in management's overseeing of office operations and a periodic review of operations. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risks involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office, and having management review and approval of accounting functions.

Management Response:

Denny Hutson – Osage County Clerk -

The County Clerk's Bookkeeping Department consists of the County Clerk and 3 employees. With all of the responsibilities of the department, each one has a full work load. Each Department submits a Payroll Claim for their employees which has been signed by the Officer or Department Head. After all of the changes on the claims has been entered into the computer, the Pre-Payroll Journal is printed. The total gross wages to be paid from the Pre-Payroll Journal is checked against the total gross wages of the Payroll Claims. These 2 totals must be the same. The total wages of the Payroll Claims must also be the same as the total gross wages paid on the Payroll Journal. When registering the payroll warrants, the Treasurer's office hand stamps each warrant; therefore, they are familiar with the employees' names. Each department is given a copy of the Payroll Register showing how much was expended from their accounts for payroll, which they balance against their account ledger. The County Clerk does review and spot check various stages and is in the payroll records quite often and would see anything unusual or questionable.

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

Finding 2009-7 - Bank Accounts not on General Ledger (Repeat Finding)

Condition: The following bank accounts were in the County's name and tax identification number, but are not County funds:

- Cedar Ridge Nutrition
- OSCO Employee Fund
- Osage County Industrial – Investment 9858
- Osage County Industrial – Investment 8951
- Osage County Industrial – Investment 8736
- Osage County Authority – Equipment – Demand 501032
- Osage County Authority #2 – Demand 501021

Cause of Condition: Bank accounts are not reconciled to the general ledger. Multiple persons use the County's tax identification number without proper approval.

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

Recommendation: OSAI recommends that bank accounts in the County's name, identified with the County's tax identification number be included on the general ledger. Should accounts not be the County's fund, then the County's tax identification needs to be removed from the account.

Management Response:

Joyce Hathcoat – Osage County Treasurer –

The banks have been notified in the past that these entities should not be using our Federal ID number. I have notified the banks again and all the accounts no longer show our Federal ID number.

Ty Koch – Osage County Sheriff –

The Osage County Tax Identification number is being removed from the OSCO Employee Fund account and will no longer be used.

Criteria: To help ensure a proper accounting of funds, all banks identified with the County's tax identification number should be included on the general ledger.

Title 19 O.S. § 642 states in part:

The county treasurer shall keep a cash book, in which he shall enter an account of all money by him received...

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Finding 2009-8 – Footnote Disclosures (Repeat Finding)

Condition: Internal controls have not been developed to ensure all required disclosures are presented with the financial statement.

Cause of Condition: Procedures have not been designed to prepare the accompanying notes to the financial statement.

Effect of Condition: The potential exists for misstatements to go undetected, specifically for the completeness of financial statement disclosures.

Recommendation: OSAI recommends the County consider one or more of the following controls:

- Having at least one staff member with sufficient skills necessary to understand the application of accounting principles in regards to the preparation of footnote disclosures.
- Contract an outside firm or individual to review or prepare the accompanying notes to the financial statements to ensure appropriate disclosures are presented.

Management Response:

Jim Clark – Osage County BOCC Chairman –

Osage County will contact their budget maker about preparing financial statements and footnote disclosures.

Criteria: The County's management is responsible for establishing internal control procedures to prevent or detect misstatements in a timely manner. Statement on Auditing Standards (SAS) No. 115 indicates that a control deficiency exists when management does not have adequate expertise to apply accounting principles to the financial statements or to review financial statements prepared on their behalf by others, to ensure they are prepared in accordance with these principles. Professional audit standards preclude the external financial statement auditor from performing any part of management's control activities or be a component of the internal controls over financial reporting as this would impair their independence.

Finding 2009-10 - Payroll, Signature Stamps, and Blank Warrants (Repeat Finding)

Condition: Our testwork of payroll disbursements revealed the following:

- Blank warrants and signature stamps for the County Clerk and the Chairman of the Board of County Commissioners (BOCC) are kept in a locked safe in the BOCC boardroom closet in which all of the County Clerk's financial staff has access.
- Time records on five of the timesheets tested were not signed by the employee and/or supervisor.

Cause of Condition: Procedures have not been designed to ensure offices are following formal payroll procedures and ensure security of blank warrants and signature stamps.

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Effect of Condition: These conditions could result in errors, ghost employees, omissions, inaccurate records and/or misappropriation of funds.

Recommendation: OSAI recommends that warrants and signature stamps be kept in a secure location. OSAI recommends that signature stamps only be used by the official. Officials who utilize signature stamps should ensure that signature stamps are adequately safeguarded from unauthorized use. OSAI further recommends all County officials have properly approved time records to support the monthly payroll. Each employee's time record should reflect the hours worked each day, the compensatory time earned, taken or paid time, and be approved by the County officer or supervisor with knowledge of the hours the employee worked.

Management Response:

Denny Hutson – Osage County Clerk –

There are only 2 keys to the locked door going into the room and 2 keys to the safe. The County Clerk and the 1st Deputy are now the only ones who have access to these keys. The County Clerk and 1st Deputy are now the only people who have access to the keys where the blank warrants are kept.

Ty Koch – Osage County Sheriff –

We are in the process of addressing our time management system and we are trying to put a program together that will meet our needs and satisfy the State's requirements.

Criteria: To help ensure a proper accounting of funds, blank warrants and signature stamps should be kept in a secure location. Signature stamps should only be used by the signing official. Also, timesheets and leave balances should be signed by the employee and supervisor/elected official and submitted to the County Clerk each pay period.

Finding 2009-14 – Signature Stamps (Repeat Finding)

Condition: During inquiry, it was found where two signature stamps were not registered with the Oklahoma Secretary of State. These signature stamps are used when signing warrants.

Cause of Condition: Procedures have not been designed to ensure the signature stamps are registered with the Oklahoma Secretary of State.

Effect of Condition: The County is not following the state statute in which all signature stamps must be filed with the Secretary of State and thus causing signature stamps to in effect not be legally binding.

Recommendation: OSAI recommends all signature stamps be filed with the Oklahoma Secretary of State and to keep an accurate accounting of registered stamps at all times.

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Management Response:

Denny Hutson – Osage County Clerk –

The County Clerk did not realize the signature stamps being used when she took office had not been registered. The paperwork has been submitted to the Secretary of State registering all of the County Officials' signature stamps.

In the past we were advised by the State Auditor's Office the signature stamps could be used on the warrants.

Jim Clark – Osage County BOCC Chairman –

The owner of the signature stamp will be the only person using the signature stamp as requested by the Auditor's Office.

Criteria: Title 62 O.S. § 602 states:

Any authorized officer, after filing with the Secretary of State his manual signature certified by him under oath, may execute or cause to be executed with a facsimile signature in lieu of his manual signature any public security or any certificate thereon or thereto. Upon compliance with this act by the authorized officer, his facsimile signature has the same legal effect as his manual signature.

Finding 2009-17 - Disaster Recovery Plan, Computer Usage Policies, and Passwords (Repeat Finding)

Condition: The County Clerk, County Treasurer, County Assessor, County Sheriff, and the Board of County Commissioners do not have current, written Disaster Recovery Plans. The County does not have written policies describing appropriate use of county computer equipment or written policies detailing the duties performed on computers. Also, in the County Treasurer and County Clerk offices, users do not always log off when they leave their computers unattended, and screen savers are not password protected. In the County Clerk and County Treasurer's offices, passwords are not required to be changed unless compromised.

Cause of Condition: Procedures have not been designed to develop and implement a Disaster Recovery Plan and policies and security for the appropriate use of county computer equipment.

Effect of Condition: The failure to have a formal Disaster Recovery Plan could result in the County being unable to function in the event of a disaster. By not locking computers after periods of inactivity, exposes computers to unauthorized access, and increases the opportunities for misuse of county assets.

Recommendation: OSAI recommends the County develop a current Disaster Recovery Plan which is stored offsite to ensure the safekeeping and integrity of the County's data. Management should also establish and implement a computer and internet policy that describes acceptable computer and internet usage by county employees. OSAI further recommends that computers are set to require a password to sign into after a period of inactivity.

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Management Response:

Gail Hedgcoth – Osage County Assessor –

I will begin preparing a Disaster Relief Plan, which we will have in place no later than November.

Denny Hutson – Osage County Clerk –

The County Clerk does have a written Recovery Plan; however it does need updating. This plan will be updated as soon as possible.

The County Clerk's staff has been reminded they are to log out of the DSA program when they are not using the program and they should never leave their desk when they are logged into the program. Two different user names and passwords are required to log in to the DSA program.

Joyce Hathcoat – Osage County Treasurer –

The Treasurer's office does have a written Disaster Recovery Plan. It had not been updated since we had two employees leave and two new employees hired. That plan is now up to date with proper contact information.

Since the individual computers are always monitored by other employees, we were not logging off every time a computer was left unattended by the employee. We are putting this practice in place.

Jim Clark – Osage County BOCC Chairman –

The Osage County Shops will also establish a written Disaster Recovery Plan.

Ty Koch – Osage County Sheriff –

We have adopted a Disaster Recovery Plan for the Osage County Sheriff's Office and Jail that will allow us to function in a timely manner should we have a disaster. A copy was provided to the State Auditor's office.

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

- Guidelines on how to use the Recovery Plan,
- Emergency procedures to ensure the safety of all affected staff members,
- Roles and responsibilities of information services function, vendors providing recovery services, users of services and support administrative personnel,
- Listing of systems requiring alternatives (hardware, peripherals, software),
- Listing of highest to lowest priority applications, required recovery times and expected performance norms,
- Various recovery scenarios from minor to loss of total capability and response to each in sufficient detail for step-by-step execution,
- Specific equipment and supply needs are identified such as high speed printers, signatures, forms, communications equipment, telephones, etc. and a source and alternative source defined,

**OSAGE COUNTY, OKLAHOMA
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- Training and/or awareness of individual and group roles in continuity plan,
- Listing of contracted service providers,
- Logistical information on location of key resources, including back-up site for recovery operating system, applications, data files, operating manuals and program/system/user documentation,
- Current names, addresses, telephone/pager numbers of key personnel,
- Business resumption alternatives for all users for establishing alternative work locations once IT resources are available.

Also, according to the standards of the Information Systems Audit and Control Association (CobIT, Delivery and Support) DS11.6 Security Requirements for Data Management, management should define and implement policies and procedures to identify and apply security requirements applicable to the receipt, processing, storage and output of data to meet business objectives, the organization's security policy and regulatory requirements.

Finding 2009-24 – Information System (Repeat Finding)

Condition: The County's software was designed in the 1980s and the software provider has ended the life cycle of the software and is providing support for the product as requested and paid for by the County. This means the software developer is no longer providing updates to the application and the risk to the data increases each year. Also, the application allows for the deletion of the audit log, and requires the periodic deletion of the log for the application to run properly. This significantly increases the risk to the data and possible fraud.

Cause of Condition: The County feels their accounting system meets their needs and doesn't see the need to upgrade their accounting system.

Effect of Condition: Manual processes are required to supplement the growing information needs of the County, which increases the likelihood of misstatements and possible misappropriation of funds. Due to the system's limited storage capacity, officials must print off month end reports prior to deleting the month's information and before entering the next month's information. This together with no Disaster Recovery Plan increases the chances of the County being unable to function in the event of a disaster.

Recommendation: OSAI recommends the County consider the upgrade or possible replacement of the County's information system. The County should ensure the record keeping software:

- maintains information in a manner consistent with its classification,
- provides reliability and availability consistent with the County's needs, and
- provides adequate controls to safeguard the County's data from unauthorized modification, loss or disclosure.

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Management Response:

Denny Hutson – Osage County Clerk –

The County Clerk and Treasurer share the DSA Program. Joyce Hathcoat has already written a response to this item. I agree with her response.

Joyce Hathcoat – Osage County Treasurer –

Although the County's software was designed in the 1980s, it has been updated several times. The system is supported by Data Systems of Arizona with the new software being added as needed by either the County Clerk's office or the County Treasurer's office. The manual processes done are not required by the computer system, but done entirely by the officer's discretion and peace of mind to ensure the accuracy of inputting information. It is not due to limited storage that end of month reports are deleted. This information is kept on hard copy and is accessible due to not wanting lengthy reports. There is a Disaster Recovery Plan. Nightly, tape back-ups are taken off-site. We also have an off-site back-up, to a server hard drive, located in Tulsa, Oklahoma. If for some reason the building is destroyed, we could go to their facility in Tulsa and conduct business until said time a new location is established. The Treasurer's office also backs up all shared files and imaged records to a server and the hard drive is taken off-site.

Auditor Response: The system currently in use does not provide information necessary to perform an adequate review of the audit logs. Audit logs are crucial to ensure the integrity of the data and to aid in monitoring the IT infrastructure and related events.

Criteria: AICPA has recognized ISACA as a source for guidance related to information system auditing and information system control standards. CobiT is ISACA's framework for IT Controls. According to *CobiT Deliver and Support 5.9 Malicious Software Prevention, Detection and Correction*, management should put preventive, detective and corrective measures in place (especially up-to-date security patches and virus control) across the organization to protect information systems and technology from malware (e.g., viruses, worms, spyware, spam).

According to *CobiT Deliver and Support 13.3 IT Infrastructure Monitoring - Management* should:

- Define and implement procedures to monitor the IT infrastructure and related events.
- Ensure that sufficient chronological information is being stored in operations logs to enable the reconstruction, review and examination of the time sequences of operations and the other activities surrounding or supporting operations.

Finding 2009-25 - Inadequate County-Wide 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.

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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.

Examples of risks and procedures to address risk management:

Risks	Procedures
Fraudulent activity	Segregation of duties
Information lost to computer crashes	Daily backups of information
Noncompliance with laws	Attend workshops
Natural disasters	Written disaster recovery plans
New employee errors	Training, attending workshops, monitoring

Examples of activities and procedures to address monitoring:

Monitoring	Procedures
Communication between officers	Periodic meetings to address items that should be included in the handbook and to determine if the County is meeting its goals and objectives.
Annual Financial Statement	Review the financial statement of the County for accuracy and completeness.
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 corrected.
Financial status	Periodically review budgeted amounts to actual amounts and resolve unexplained variances.
Policies and procedures	Ensure employees understand expectations in meeting the goals of the County.
Following up on complaints	Determine source of complaint and course of action for resolution.
Estimate of needs	Work together to ensure this financial document is accurate and complete.

Management Response:

Jim Clark – Osage County BOCC Chairman –

Osage County will have more frequent reviews and monitoring in each department.

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.

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County management is responsible for designing a county-wide internal control system comprised of Risk Assessment and Monitoring for the achievement of these goals.

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

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

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 2009-9 - Schedule of Expenditures of Federal Awards (Repeat Finding)

PASS-THROUGH GRANTOR: Tulsa Area Agency on Aging, Oklahoma Department of Emergency Management

FEDERAL AGENCY: United States Department of Health and Human Services, United States Department of Homeland Security

CFDA NO: 93.053, 93.044, 93.045, 97.036

FEDERAL PROGRAM NAME: Special Programs for the Aging-Title III, Part B-Grants for Supportive Services and Senior Centers, Special Programs for the Aging-Title III, Part C-Nutrition Services, Nutrition Services Incentive Program, Disaster Grants - Public Assistance (Presidentially Declared Disasters)

FEDERAL AWARD NUMBER: 1735, 1775

FEDERAL AWARD YEAR: 2009

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

QUESTIONED COSTS: \$-0-

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

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During our review and reconciliation of the Schedule of Expenditures of Federal Awards as initially prepared by Osage County, the following exceptions were noted:

CFDA # 93.044 was overstated by \$2,866.09
CFDA # 93.045 was understated by \$13,935.91

Cause of Condition: Coordination of Federal Awards did not occur to ensure proper reporting, adequate internal controls, and compliance with federal requirements.

Effect of Condition: This condition could result in a misstatement of the Schedule of Expenditures of Federal Awards.

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

Management Response:

Kyme Vincent – Osage County Nutrition -

For the period that the findings of the audits address, I was not managing the program and do not have historical knowledge of this time period. Internal controls have been established and condition corrected. Deposits at Treasurer's office are being credited to proper account indicating whether funding is from a State or Federal grant to ensure proper reporting on the Schedule of Federal Expenditures. A process has been established ensuring in-kind donations are being documented for reporting.

Jim Clark – Osage County BOCC Chairman –

Osage County will implement formal internal controls for reporting Federal programs, appoint and train for correct SEFA and PW documentation.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, an accurate record of federal expenditures should be maintained.

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

Subpart C—Auditees

§ ____.300 Auditee responsibilities.

The auditee shall:

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

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

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

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

Finding 2009-15 – Internal 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: 1735 and 1775

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; 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 that the County has not established internal controls to ensure compliance with the following compliance requirements: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Procurement, Suspension, and Debarment; and Special Tests and Provisions.

Cause of Condition: The County does not have adequate procedures in place to ensure compliance with *OMB Circular A-133*.

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

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

Management Response:

Jim Clark – Osage County BOCC Chairman –

Osage County will assign an employee the task of being certain the County is in compliance with OMB Circular A-133.

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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 provide reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have material effect on each of its Federal programs.

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

Finding 2009-16 – FEMA Files - Documentation of Federal Expenditures (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: 1735 and 1775

FEDERAL AWARD YEAR: 2009

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

QUESTIONED COSTS: \$31,082.53

Condition: While reviewing support documentation for project worksheets tested in each District, we noted the following:

- Consumable inventory in stock that is used for construction was not tracked through transfer sheet documentation. Consumable inventory used for the projects tested was \$24,190.
- There was no documentation to support the administrative expenses of \$6,892.53.

Cause of Condition: Procedures have not been designed to ensure all records are retained to support the federal monies disbursed.

Effect of Condition: Districts 1, 2, and 3 were unable to document how they complied with applicable compliance requirements for these specific projects.

Recommendation: OSAI recommends the County become familiar with federal regulations and guidelines pertaining to Disaster Grants. This would ensure that grant funds are properly expended in accordance with grant requirements.

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Management Response:

Jim Clark – Osage County BOCC Chairman –

Management will discuss transfer documents being properly attached to worksheets and other support documents with staff for better control, including administrative costs.

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 provide reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have material effect on each of its Federal programs.

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

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

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 2009-18— Internal Controls over Major Programs – Nutrition Program (Repeat Finding)

PASS-THROUGH GRANTOR: Tulsa Area Agency on Aging

FEDERAL AGENCY: United States Department of Health and Human Services

CFDA NO: 93.044, 93.045, 93.053

FEDERAL PROGRAM NAME: Special Programs for the Aging-Title III, Part B-Grants for Supportive Services and Senior Centers, Special Programs for the Aging-Title III, Part C-Nutrition Services, Nutrition Services Incentive Program

FEDERAL AWARD YEAR: 2009

CONTROL CATEGORY: Cash Management

QUESTIONED COSTS: \$-0-

Condition: During the process of documenting the County's internal controls regarding federal disbursements, we noted that the County has not established internal controls to ensure compliance with Cash Management.

Cause of Condition: The County does not have adequate procedures in place to ensure compliance with *OMB Circular A-133*.

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

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

Management Response:

Kyme Vincent – Osage County Nutrition -

For the period that the findings of the audits address, I was not managing the program and do not have historical knowledge of this time period. Management will review OMB A133 and will work to ensure we are in compliance with 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 provide reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have material effect on each of its Federal programs.

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

Finding 2009-19 – Purchasing – Nutrition Program (Repeat Finding)

PASS-THROUGH GRANTOR: Tulsa Area Agency on Aging

FEDERAL AGENCY: United States Department of Health and Human Services

CFDA NO: 93.044, 93.045, 93.053

FEDERAL PROGRAM NAME: Special Programs for the Aging-Title III, Part B-Grants for Supportive Services and Senior Centers, Special Programs for the Aging-Title III, Part C-Nutrition Services, Nutrition Services Incentive Program

FEDERAL AWARD YEAR: 2009

CONTROL CATEGORY: Procurement, Suspension and Debarment

QUESTIONED COSTS: \$713.12

Condition: The test of 45 purchase orders revealed the following exceptions:

- Invoice dates and/or service dates were prior to encumbrance date in one instance.
- There was inadequate supporting documentation in two instances.

Cause of Condition: Procedures have not been designed to ensure all documentation supporting county expenditures is attached to purchase orders and that purchases are properly encumbered in accordance with the state statutes.

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Effect of Condition: The County is not following internal control and purchasing procedures, which could result in undetected errors and/or misappropriation of assets.

Recommendation: OSAI recommends management follow established purchasing procedures.

Management Response:

Kyme Vincent – Osage County Nutrition -

In concurrence with Auditor’s findings. Currently working on addressing this issue.

Criteria: Statutory control procedures have been established for the requisition, purchase, lease-purchase, rental, and receipt of supplies, materials, and equipment for maintenance, operation, and capital expenditures of county government.

Title 19 O.S. § 1505.C.2 states in part:

The county clerk shall then encumber the amount stated on the purchase order and assign a sequential number to the purchase order.

Title 19 O.S. § 1505.C.3 states in part:

...In instances where it is impossible to ascertain the exact amount of the indebtedness sought to be incurred at the time of recording the encumbrance, an estimated amount may be used. No purchase order shall be valid unless signed by the county purchasing agent and certified by the county clerk.

Title 19 O.S. § 1505.E.10 states:

Upon receipt of an invoice, the county clerk shall compare the following documents: a. requisition, b. purchase order, c. invoice with non-collusion affidavit, as required by law, d. receiving report, and e. delivery document.

Finding 2009-20 – Signatures on Checks – Nutrition Program (Repeat Finding)

PASS-THROUGH GRANTOR: Tulsa Area Agency on Aging

FEDERAL AGENCY: United States Department of Health and Human Services

CFDA NO: 93.044, 93.045, 93.053

FEDERAL PROGRAM NAME: Special Programs for the Aging-Title III, Part B-Grants for Supportive Services and Senior Centers, Special Programs for the Aging-Title III, Part C-Nutrition Services, Nutrition Services Incentive Program

FEDERAL AWARD YEAR: 2009

CONTROL CATEGORY: Program Income

QUESTIONED COSTS: \$-0-

Condition: Each of the Nutrition sites receives donations from program participants. Donations are deposited daily into a bank account in the city where the Nutrition sites are located. Checks are written, which require two signatures, from these accounts to the County’s Nutrition Office and deposited into the

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County's Nutrition Fund. During test work, it was noted that two checks from the Nutrition sites did not have the required two signatures.

Cause of Condition: Procedures have not been designed to ensure that all required signatures are on the checks prior to disbursement.

Effect of Condition: This condition could result in misappropriation of County funds.

Recommendation: OSAI recommends that management take steps to ensure that all Nutrition sites have two authorizing signatures when disbursing funds.

Management Response:

Kyme Vincent – Osage County Nutrition -

We will ensure that all checks have the two required signatures.

Criteria: To help ensure a proper accounting of funds, two authorizing signatures should be required on checks when disbursing funds from the Nutrition sites' bank accounts.

Finding 2009-21 - Lack of Documentation – Nutrition Program

PASS-THROUGH GRANTOR: Tulsa Area Agency on Aging

FEDERAL AGENCY: United States Department of Health and Human Services

CFDA NO: 93.053, 93.044, 93.045

FEDERAL PROGRAM NAME: Special Programs for the Aging-Title III, Part B-Grants for Supportive Services and Senior Centers, Special Programs for the Aging-Title III, Part C-Nutrition Services, Nutrition Services Incentive Program

FEDERAL AWARD YEAR: 2009

CONTROL CATEGORY: Eligibility

QUESTIONED COSTS: \$-0-

Condition: Our test work of 46 participants' files revealed the following:

- There were no eligibility assessments on file in three instances.
- There were no daily reservation processes completed in three instances.
- The eligibility assessments were not complete in four instances.

Cause of Condition: Procedures have not been designed to ensure all documentation is retained for program participants.

Effect of Condition: OSAI was unable to test eligibility for some of the participants of the program.

Recommendation: OSAI recommends that management take steps to ensure that records are maintained for three years and/or until audited.

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Management Response:

Kyme Vincent – Osage County Nutrition –

Nutrition office will ensure that all eligibility files are maintained for a period of three years from time State Auditors have completed their audit. Originals of all sign in sheets with reservation system are now being maintained at the Nutrition project office rather than at individual nutrition sites to ensure records are complete. Nutrition staff has worked with Area Agency on Aging to re-train all staff performing eligibility assessments to ensure assessments are completed in full.

Criteria: 44 CFR § 13.26 Non-Federal audit states in part:

- (5) Require each subgrantee to permit independent auditors to have access to the records and financial statements.

Finding 2009-22 – Credit Cards – Nutrition Program (Repeat Finding)

PASS-THROUGH GRANTOR: Tulsa Area Agency on Aging

FEDERAL AGENCY: United States Department of Health and Human Services

CFDA NO: 93.053, 93.044, 93.045

FEDERAL PROGRAM NAME: Special Programs for the Aging-Title III, Part B-Grants for Supportive Services and Senior Centers, Special Programs for the Aging-Title III, Part C-Nutrition Services, Nutrition Services Incentive Program

FEDERAL AWARD YEAR: 2009

CONTROL CATEGORY: Procurement and Suspension and Debarment

QUESTIONED COSTS: \$-0-

Condition: During test work performed, it was noted that the County Nutrition program has a revolving line of credit with a local retail store and three individuals have credit cards. The County has a running balance on the account with the retail store, encountering late fees and finance charges.

Cause of Condition: Procedures have not been designed to ensure compliance with state statutes regarding purchasing procedures and to ensure the County is not indebted past the current fiscal year revenues.

Effect of Condition: The County is not in compliance with the Oklahoma Constitution.

Recommendation: OSAI recommends the Osage County Nutrition program obtain a purchase order prior to each purchase. Also, steps should be taken to ensure the bills are paid timely to prevent late fees and finance charges.

Management Response:

Kyme Vincent – Osage County Nutrition –

For the period that the findings of the audits address, I was not managing the program and do not have historical knowledge of how the credit account was open. This account has been closed. In concurrence with finding that fees and finance charges had at one point in time been an issue. If account with merchant

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is re-established, we will ensure it is a non-revolving account and that it is in compliance with the Oklahoma Constitution.

Criteria: Article 10 Section 26(a) states in part:

Except as herein otherwise provided, no county, city, town, township, school district, or other political corporation, or subdivision of the state, shall be allowed to become indebted, in any manner, or for any purpose, to an amount exceeding, in any year, the income and revenue provided for such year without the assent of three-fifths of the voters, voting at an election, to be held for that purpose...

Finding 2009-23 – County-Wide Controls (Repeat Finding)

PASS-THROUGH GRANTOR: Tulsa Area Agency on Aging, Oklahoma Department of Emergency Management

FEDERAL AGENCY: United States Department of Health and Human Services, United States Department of Homeland Security

CFDA NO: 93.053, 93.044, 93.045, 97.036

FEDERAL PROGRAM NAME: Special Programs for the Aging-Title III, Part B-Grants for Supportive Services and Senior Centers, Special Programs for the Aging-Title III, Part C-Nutrition Services, Nutrition Services Incentive Program, Disaster Grants - Public Assistance (Presidentially Declared Disasters)

FEDERAL AWARD NUMBER: 1735, 1775

FEDERAL AWARD YEAR: 2009

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

QUESTIONED COSTS: \$-0-

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

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

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

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

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

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

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

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

Management Response:

Jim Clark – Osage County BOCC Chairman –

Each department will review and consider all risks and monitor changes as necessary to be sure of grant compliance and report to management. Communication between departments will be improved.

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.

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

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

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 2009-11— Estimate of Needs (Repeat Finding)

Condition: During the review of the County's Estimate of Needs, it was determined that one account, Courthouse Security, had not been included.

Cause of Condition: Procedures have not been designed for the review of the Estimate of Needs prior to submission to the Excise Board.

Effect of Condition: This condition results in an incomplete and/or incorrect Estimate of Needs being approved by the Excise Board.

Recommendation: OSAI recommends management take steps to ensure that all accounts are included in the County’s Estimate of Needs.

Management Response:

Denny Hutson – Osage County Clerk –

I have talked to the County's budget maker, who has assured me these accounts are included in the 2012/2013 Estimate of Needs.

Criteria: Title 68 O.S. § 3002 states in part:

...each board of county commissioner...shall prior to October 1 of each year, make, in writing, a financial statement, showing the true financial condition of their respective political subdivisions as of the close of the previous fiscal year ended June 30th, and shall make a written itemized statement of estimated needs and probable income from all sources including ad valorem tax for the current fiscal year. Such financial statements shall be supported by schedules or exhibits showing, by classes, the amount of all receipts and disbursements, and shall be sworn to as being true and correct...

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Finding 2009-12— Inmate Trust (Repeat Finding)

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

- Deposits were not made daily.
- Checks did not have two signatures.
- Reconciliations were not prepared.

Furthermore, there was a lack of segregation of duties because one deputy opens the mail, writes all the receipts, takes the deposit to the bank, posts deposits to the cash book, and balances the account at month end to the County Treasurer's balance.

Cause of Condition: Procedures have not been designed to adequately segregate the duties related to the receipting process, ensure deposits are made daily, and reconciliations are prepared.

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

Recommendation: OSAI recommends the following:

- Deposits should be made daily.
- Checks should have two signatures.
- Reconciliations should be performed monthly on the inmate trust account and should be reviewed and approved by someone other than the preparer.

Management Response:

Ty Koch – Osage County Sheriff –

There were several items that were of concern with regard to the Inmate Trust Account and all have been addressed and corrected, per your recommendations. A copy of our policy and procedures which addresses these areas have been provided to the State Auditor's office.

Criteria: To help ensure a proper accounting of funds, receipts should be deposited daily. All checks written on this account should have two authorizing signatures. Reconciliations should be performed monthly and reviewed and approved by someone other than the preparer.

Finding 2009-13 – Annual Report (Repeat Finding)

Condition: The County Sheriff has not filed an annual report of the commissary activity with the Board of County Commissioners.

Cause of Condition: Procedures have not been designed to ensure the timely submission of the annual report to the Board of County Commissioners.

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Effect of Condition: This could result in misappropriation of funds and misstated financial reports.

Recommendation: OSAI recommends an annual report of commissary operations be submitted by the Sheriff to the Board of County Commissioners no later than January 15 of each year.

Management Response:

Ty Koch – Osage County Sheriff –

An annual report of commissary operations is to be submitted to the Board of County Commissioners no later than January 15 of each year. The report for the year 2011 was submitted in August. We will submit future reports as required.

Criteria: Title 19 O.S. § 180.43.D states in part:

The Sheriff shall file an annual report on any said commissary under his or her operation no later than January 15 of each year...

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Finding 2008-9 - Schedule of Expenditures of Federal Awards

CFDA NO: 93.053, 93.044, 93.045, 97.036

Federal Program Name: Special Programs for the Aging-Title III, Part B-Grants for Supportive Services and Senior Centers, Special Programs for the Aging-Title III, Part C-Nutrition Services, Nutrition Services Incentive Program, Disaster Grants - Public Assistance (Presidentially Declared Disasters)

Funding Agency: United States Department of Health and Human Services, United States Department of Homeland Security

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

Status: Not corrected.

Finding 2008-14 – Internal Controls over Major Programs – FEMA

CFDA: 97.036

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

Funding Agency: United States Department of Homeland Security

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

Status: Not corrected.

Finding 2008-15 – FEMA Files – Documentation of Federal Expenditures

CFDA: 97.036

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

Funding Agency: United States Department of Homeland Security

Finding Summary: While reviewing support documentation (i.e., project worksheets) for project worksheets tested in each District, we noted the following:

- Consumable inventory in stock that is used for construction was not tracked through transfer sheet documentation. Consumable inventory used for the projects tested was \$6,433.00.
- There was no documentation to support the administrative expenses of \$473.96.

Status: Not corrected.

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Finding 2008-16 - Internal Controls over Major Programs – Nutrition Program

CFDA: 93.044, 93.045, 93.053

Federal Program Name: Special Programs for the Aging-Title III, Part B-Grants for Supportive Services and Senior Centers, Special Programs for the Aging-Title III, Part C-Nutrition Services, Nutrition Services Incentive Program

Funding Agency: United States Department of Health and Human Services

Finding Summary: During the process of documenting the County's internal controls regarding federal disbursements, we noted that the County has not established internal controls to ensure compliance with Cash Management.

Status: Not corrected.

Finding-2008-17—Purchasing – Nutrition Program

CFDA: 93.044, 93.045, 93.053

Federal Program Name: Special Programs for the Aging-Title III, Part B-Grants for Supportive Services and Senior Centers, Special Programs for the Aging-Title III, Part C-Nutrition Services, Nutrition Services Incentive Program

Funding Agency: United States Department of Health and Human Services

Finding Summary: The test of 45 purchase orders revealed the following exceptions:

- Invoice dates and/or service dates were prior to encumbrance date in three instances.
- There was inadequate supporting documentation in one instance.

Status: Not corrected.

Finding 2008-18 – Signatures on Checks – Nutrition Program

CFDA: 93.044, 93.045, 93.053

Federal Program Name: Special Programs for the Aging-Title III, Part B-Grants for Supportive Services and Senior Centers, Special Programs for the Aging-Title III, Part C-Nutrition Services, Nutrition Services Incentive Program

Funding Agency: United States Department of Health and Human Services

Finding Summary: Each of the Nutrition sites receives donations from program participants. Donations are deposited daily into a bank account in the city where the Nutrition sites are located. Checks are written, which require two signatures, from these accounts to the County's Nutrition Office and deposited into the County's Nutrition Fund. During test work, it was noted that four checks from the Nutrition sites did not have the required two signatures.

Status: Not corrected.

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Finding 2008-20—Destruction of Eligibility Files – Nutrition Program

CFDA: 93.044, 93.045, 93.053

Federal Program Name: Special Programs for the Aging-Title III, Part B-Grants for Supportive Services and Senior Centers, Special Programs for the Aging-Title III, Part C-Nutrition Services, Nutrition Services Incentive Program

Funding Agency: United States Department of Health and Human Services

Finding Summary: All participant assessment files were shredded for the fiscal year 2008.

Status: Not corrected.

Finding 2008-21—Credit Cards – Nutrition Program

CFDA: 93.044, 93.045, 93.053

Federal Program Name: Special Programs for the Aging-Title III, Part B-Grants for Supportive Services and Senior Centers, Special Programs for the Aging-Title III, Part C-Nutrition Services, Nutrition Services Incentive Program

Funding Agency: United States Department of Health and Human Services

Finding Summary: During test work performed, it was noted that the County Nutrition program has a revolving line of credit with a local retail store and three individuals have credit cards. The County has a running balance on the account with the retail store, encountering late fees and finance charges.

Status: Not corrected.

Finding 2008-22—County-Wide Controls

CFDA: 93.053, 93.044, 93.045, 97.036

Federal Program Name: Special Programs for the Aging-Title III, Part B-Grants for Supportive Services and Senior Centers, Special Programs for the Aging-Title III, Part C-Nutrition Services, Nutrition Services Incentive Program, Disaster Grants - Public Assistance (Presidentially Declared Disasters)

Funding Agency: United States Department of Health and Human Services, United States Department of Homeland Security

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

Status: Not corrected.



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