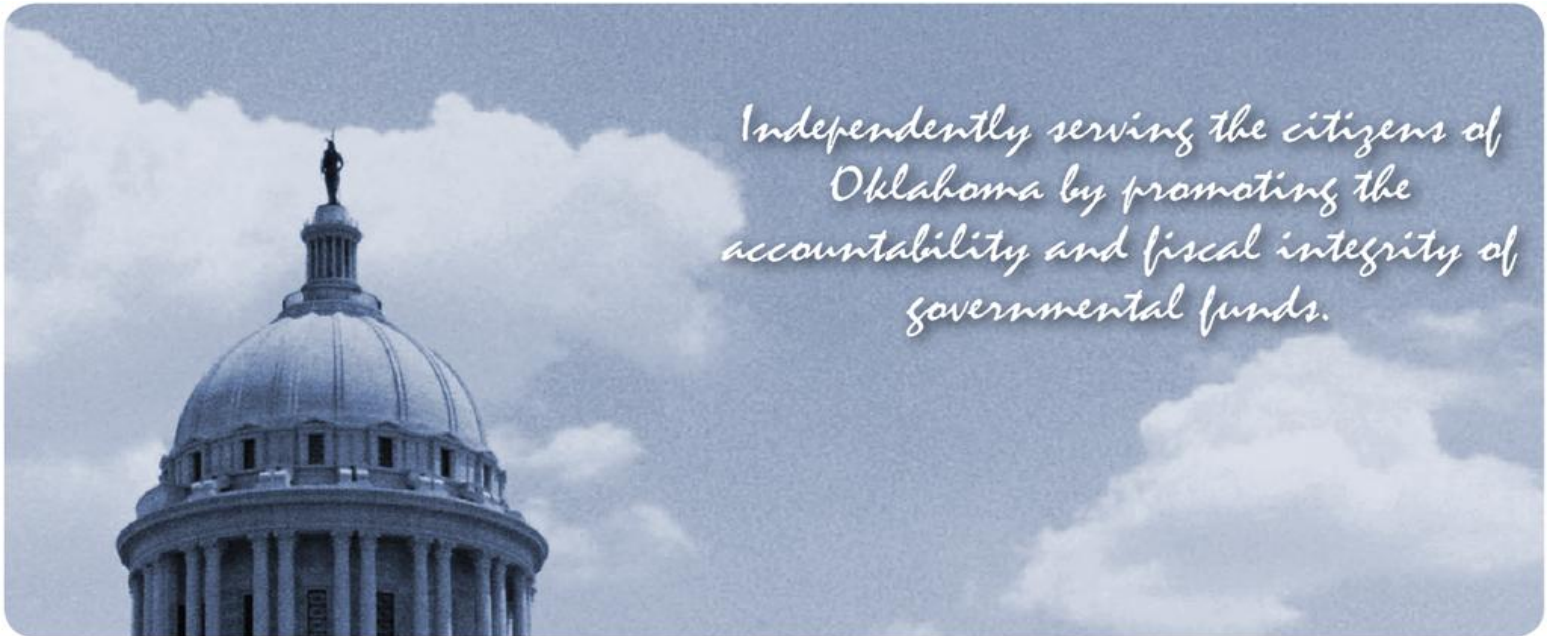


COUNTY AUDIT

OSAGE COUNTY

For the fiscal year ended June 30, 2011



*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, 2011**

This publication, issued by the Oklahoma State Auditor and Inspector's Office as authorized by 19 O.S. § 171, has not been printed, but is available on the agency's website (www.sai.ok.gov) and in the Oklahoma Department of Libraries Publications Clearinghouse Digital Collection, pursuant to 74 O.S. § 3105.B.



Oklahoma State Auditor & Inspector

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

September 22, 2015

TO THE CITIZENS OF
OSAGE COUNTY, OKLAHOMA

Transmitted herewith is the audit of Osage County, Oklahoma for the fiscal year ended June 30, 2011. 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". The signature is fluid and cursive, with the first and last names being clearly legible.

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

**OSAGE COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**OSAGE COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

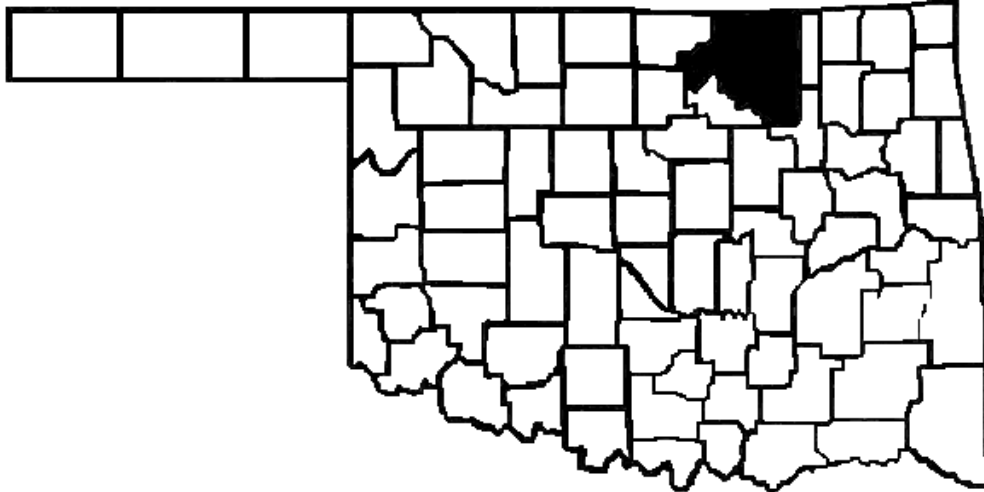
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**OSAGE COUNTY, OKLAHOMA
STATISTICAL INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**



In 1872 the United States 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) 287-2615.

County Seat – Pawhuska

Area - 2,303.80 Square Miles

County Population – 45,051 (2009 est.)

Farms – 1,481

Land in Farms – 1,290,680 Acres

Primary Source: Oklahoma Almanac 2011-2012

**OSAGE COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Board of County Commissioners

District 1 – Bob Jackson
District 2 – Scott Hilton
District 3 – Jim Clark

County Assessor

Gail Hedgcoth

County Clerk

Denny Hutson

County Sheriff

Ty Koch

County Treasurer

Joyce Hathcoat

Court Clerk

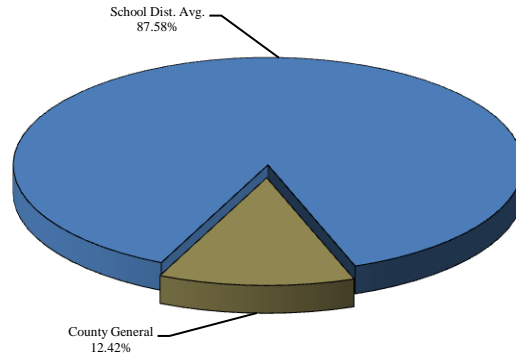
Angie Bruce

District Attorney

Rex Duncan

**OSAGE COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

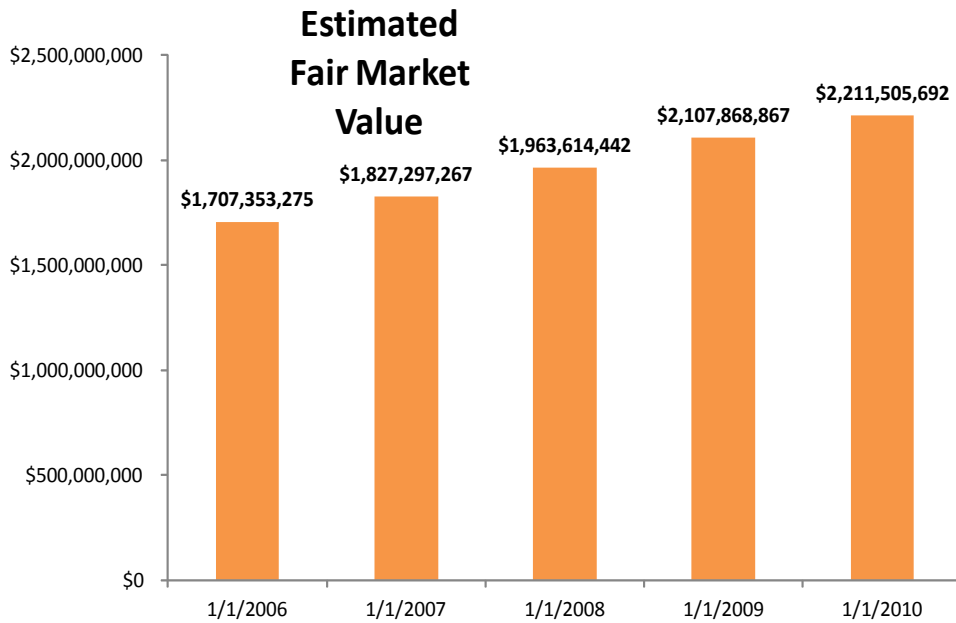
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the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



County-Wide Millages		School District Millages						
County General	10.00	Gen.	Bldg.	Skg.	Career		Common	Total
					Tech			
Pawhuska	2	35.00	5.00	22.33	15.00	4.00	81.33	
Osage Hills	3	35.00	5.00	6.76	15.00	4.00	65.76	
Bowring	7	35.00	5.00	6.27	-	4.00	50.27	
Shidler	11	35.00	5.00	5.94	-	4.00	49.94	
Barnsdall	29	35.00	5.00	8.70	15.00	4.00	67.70	
Wynona	30	35.00	5.00	15.32	15.00	4.00	74.32	
Avant	35	35.00	5.00	-	15.00	4.00	59.00	
Hominy	38	35.00	5.00	23.70	13.00	4.00	80.70	
Prue	50	35.00	5.00	3.20	-	4.00	47.20	
Anderson-Sand Springs	52	35.00	5.00	12.27	-	4.00	56.27	
McCord	77	35.00	5.00	12.89	15.00	4.00	71.89	
Woodland-Fairfax	90	35.00	5.00	8.65	15.00	4.00	67.65	
Tulsa	J-1	35.00	5.00	22.70	13.00	4.00	79.70	
Sand Springs	J-2	35.00	5.00	32.72	13.00	4.00	89.72	
Skiatook	J-7	35.00	5.00	23.46	13.00	4.00	80.46	
Sperry	J-8	35.00	5.00	22.85	13.00	4.00	79.85	
Dewey	12-7	35.00	5.00	21.21	15.00	4.00	80.21	
Cleveland	J-6	35.00	5.00	24.70	13.00	4.00	81.70	
Caney Valley	J-16	35.00	5.00	5.96	15.00	4.00	64.96	
Bartlesville	J-30	35.00	5.00	27.11	15.00	4.00	86.11	
Ponca City	J-71	35.00	5.00	21.93	15.00	4.00	80.93	

**OSAGE COUNTY, OKLAHOMA
 ASSESSED VALUE OF PROPERTY
 TREND ANALYSIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

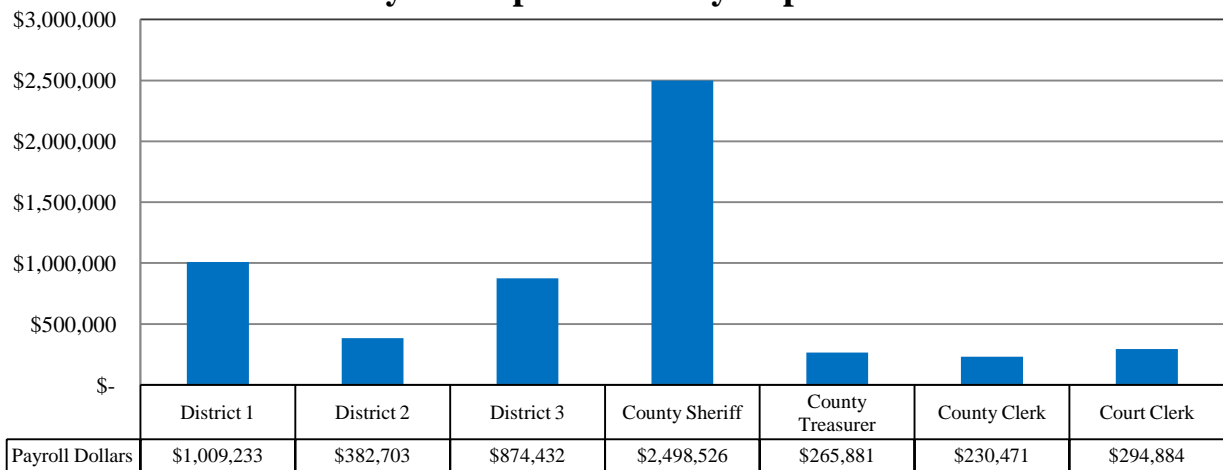
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2010	\$40,107,763	\$31,944,671	\$203,371,917	\$10,043,668	\$265,380,683	\$2,211,505,692
1/1/2009	\$39,206,652	\$30,600,301	\$193,294,533	\$10,157,222	\$252,944,264	\$2,107,868,867
1/1/2008	\$36,803,041	\$29,959,799	\$179,134,584	\$10,263,691	\$235,633,733	\$1,963,614,442
1/1/2007	\$33,262,665	\$29,433,097	\$166,863,697	\$10,283,787	\$219,275,672	\$1,827,297,267
1/1/2006	\$31,894,533	\$30,814,779	\$152,546,782	\$10,373,701	\$204,882,393	\$1,707,353,275



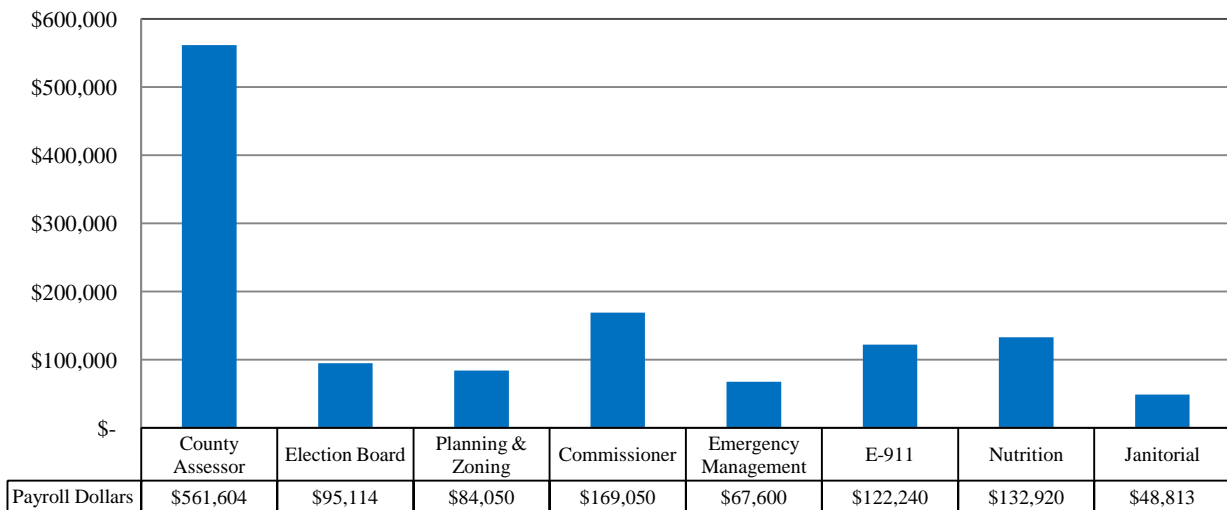
**OSAGE COUNTY, OKLAHOMA
COUNTY PAYROLL EXPENDITURES ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

County officers' salaries are based upon the assessed valuation and population of the counties. State statutes provide guidelines for establishing elected officers' salaries. The Board of County Commissioners sets the salaries for all elected county officials within the limits set by the statutes. The designated deputy or assistant's salary cannot exceed the principal officer's salary. Salaries for other deputies or assistants cannot exceed the principal officer's salary. The information presented below is for the fiscal year ended June 30, 2011.

Payroll Expenditures by Department



Payroll Expenditures by Department



**OSAGE COUNTY, OKLAHOMA
COUNTY GENERAL FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

County General Fund

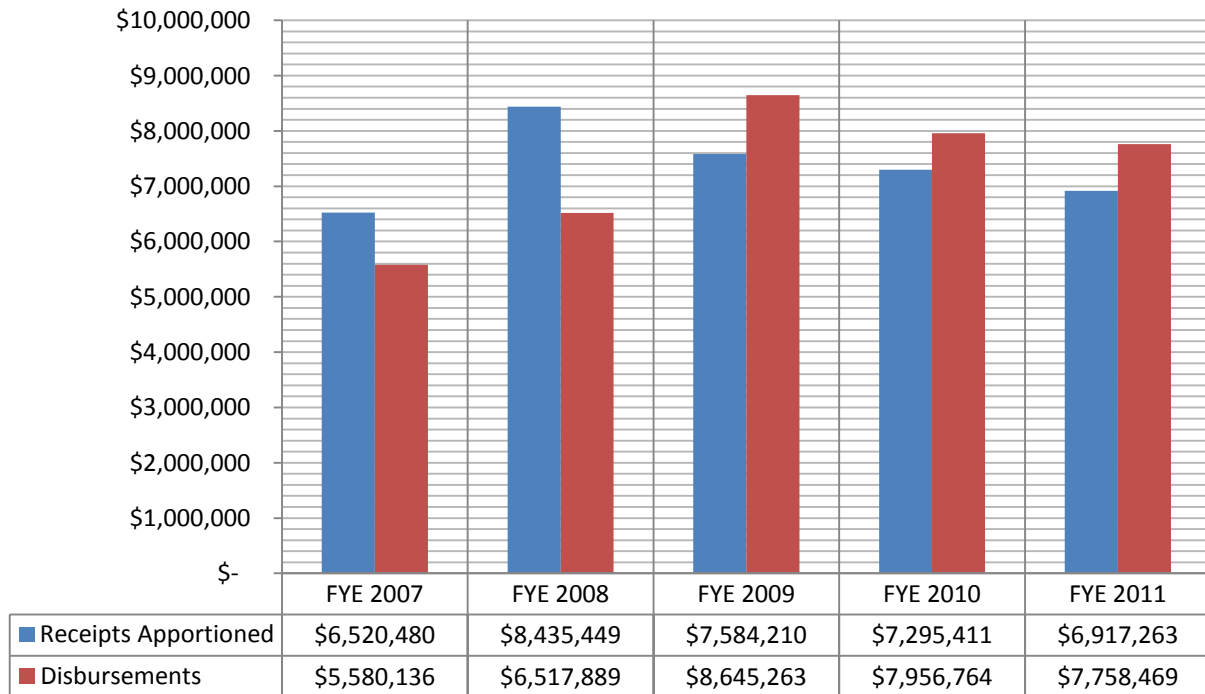
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also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



**OSAGE COUNTY, OKLAHOMA
COUNTY HIGHWAY FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

County Highway Fund

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



FINANCIAL SECTION



Oklahoma State Auditor & Inspector

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

Independent Auditor's Report

TO THE OFFICERS OF
OSAGE COUNTY, OKLAHOMA

We have audited the combined total—all county funds on the accompanying regulatory basis Statement of Receipts, Disbursements, and Changes in Cash Balances of Osage County, Oklahoma, as of and for the year ended June 30, 2011, listed in the table of contents as the financial statement. This financial statement is the responsibility of Osage County's management. Our responsibility is to express an opinion on the combined total—all county funds on this financial statement based on our audit.

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

As described in Note 1, this financial statement was prepared using accounting practices prescribed or permitted by Oklahoma state law, which practices differ from accounting principles generally accepted in the United States of America. The differences between this regulatory basis of accounting and accounting principles generally accepted in the United States of America are also described in Note 1.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Osage County as of June 30, 2011, or changes in its financial position for the year then ended.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash balances for all county funds of Osage County, for the year ended June 30, 2011, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 12, 2015, 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 county funds on the financial statement. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statement. The remaining Other Supplementary Information, as listed in the table of contents, is presented for purposes of additional analysis, and is not a required part of the financial statement. Such supplementary information has been subjected to the auditing procedures applied in the audit of the combined total—all county funds on the regulatory basis Statement of Receipts, Disbursements and Changes in Cash Balances and, in our opinion, is fairly stated, in all material respects, in relation to the combined total—all county funds. The information listed in the table of contents under Introductory Section has not been audited by us, and accordingly, we express no opinion on it.

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

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

August 12, 2015

REGULATORY BASIS FINANCIAL STATEMENT

OSAGE COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS
(WITH COMBINING INFORMATION)—MAJOR FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Beginning Cash Balances July 1, 2010	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2011
Combining Information:						
Major Funds:						
County General	\$ 2,367,000	\$ 3,725,777	\$ -	\$ -	\$ 3,359,764	\$ 2,733,013
T-Highway	2,676,408	6,917,263	797,225	-	7,758,469	2,632,427
County Health for the Elderly	1,995,383	1,005,778	-	-	471,155	2,530,006
Sales Tax	9,255,410	4,041,658	-	-	4,373,982	8,923,086
Use Tax	510,565	915,897	-	-	505,059	921,403
County Bridge & Road Improvement Fund	-	2,307,805	-	1,082,182	869,100	356,523
Osage County Nutrition Program	185,608	583,383	-	-	671,113	97,878
Remaining Aggregate Funds	2,229,329	1,893,613	-	-	1,599,565	2,523,377
Combined Total - All County Funds, as Restated	\$ 19,219,703	\$ 21,391,174	\$ 797,225	1,082,182	\$ 19,608,207	\$ 20,717,713

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, 2011**

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

B. Fund Accounting

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

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

County General – accounts for the general operations of the County.

T-Highway – accounts for state, local, and miscellaneous receipts. Disbursements are for the purpose of constructing and maintaining county roads and bridges.

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

Sales Tax – accounts for sales tax collections received for operating and maintaining the County Jail and County Department of Health.

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

**OSAGE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

County Bridge & Road Improvement Fund – accounts for the accrued balance of funds which were appropriated to be used for bridge improvements only as established by Senate Bill 1288.

Osage County Nutrition Program – accounts for 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.

C. Basis of Accounting

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

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

D. Budget

Under current Oklahoma Statutes, a general fund is the only fund 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.

E. Cash and Investments

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

**OSAGE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

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

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

2. Ad Valorem Tax

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

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

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

3. Other Information

A. Pension Plan

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

**OSAGE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

writing OPERS, P.O. Box 53007, Oklahoma City, Oklahoma 73105 or by calling 1-800-733-9008.

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

B. Other Post Employment Benefits (OPEB)

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

C. Contingent Liabilities

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

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

D. Sales Tax

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

- 1% for the collection and enforcement of the sales tax.
- 99% for the 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 duration of twenty years.

On July 27, 2010, Osage County voters approved to extend the 1% (one percent) county-wide sales tax, as noted above, for an unlimited duration; effective date for the extension is July 1, 2014.

**OSAGE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

On July 25, 2006, Osage County voters approved a .25% (one-quarter of one percent) 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.

These funds are accounted for in the Sales Tax fund.

E. Interfund Transfers

During the fiscal year, the County made the following transfers between cash funds.

- \$1,082,182 was transferred from the County Bridge & Road Improvement Fund; of which \$797,225 was transferred to the T-Highway fund and \$284,957 was transferred to the Emergency Transportation Revolving Fund (a trust and agency fund) for reimbursement of expenses on highway projects provided by a state grant.

F. Restatement

Prior Year Ending Balance

Due to the reclassification of funds, the ending balance as reported at June 30, 2010 is different than the July 1, 2010 beginning balance. The difference is due to funds reported as trust and agency funds at June 30, 2010 that should have been reported as county funds.

Prior year ending balance, as previously reported	\$19,161,019
Plus: Funds Moved to County Funds	
Drug Grant #19	35,387
Drug Grant #20	22,925
Weather Radio Grant	<u>372</u>
Prior year ending balance, as restated	<u>\$19,219,703</u>

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, 2011

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 2,367,000	\$ 2,367,000	\$ -
Less: Prior Year Outstanding Warrants	(240,441)	(240,441)	-
Less: Prior Year Encumbrances	(69,874)	(54,345)	15,529
Beginning Cash Balances, Budgetary Basis	<u>2,056,685</u>	<u>2,072,214</u>	<u>15,529</u>
Receipts:			
Ad Valorem Taxes	2,412,552	2,636,909	224,357
Charges for Services	206,907	196,454	(10,453)
Intergovernmental Revenues	708,838	784,258	75,420
Miscellaneous Revenues	126,732	108,156	(18,576)
Total Receipts, Budgetary Basis	<u>3,455,029</u>	<u>3,725,777</u>	<u>270,748</u>
Expenditures:			
District Attorney	137,400	125,026	12,374
County Sheriff	63,563	63,550	13
County Treasurer	144,556	144,544	12
County Commissioners	169,088	169,050	38
OSU Extension	103,280	100,194	3,086
County Clerk	255,656	230,768	24,888
Court Clerk	147,756	146,317	1,439
County Assessor	368,733	328,278	40,455
Revaluation of Real Property	624,756	545,258	79,498
School Treasurer	9,500	9,500	-
General Government	1,871,931	262,729	1,609,202
Excise-Equalization Board	10,700	5,164	5,536
County Election Board	117,465	113,678	3,787
Insurance	770,410	626,490	143,920
County Purchasing Agent	24,100	22,502	1,598
Data Processing	35,000	16,700	18,300
Charity	5,811	-	5,811
County Emergency Management	78,350	72,199	6,151
County Planning and Zoning	130,590	112,030	18,560
County Fairgrounds	146,400	74,564	71,836
County Free Fair	25,000	24,696	304
County Solid Waste	41,350	39,259	2,091
County Enhanced 911	151,930	147,453	4,477
County Audit Budget Account	75,389	-	75,389
Provision for Interest on Warrants	3,000	-	3,000
Total Expenditures, Budgetary Basis	<u>5,511,714</u>	<u>3,379,949</u>	<u>2,131,765</u>

**OSAGE COUNTY, OKLAHOMA
 COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
 CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
 GENERAL FUND - CONTINUED
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	General Fund		
	Budget	Actual	Variance
Continued from previous page			
Excess of Receipts and Beginning Cash			
Balances Over Expenditures, Budgetary Basis	\$ -	2,418,042	\$ 2,418,042
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		73,431	
Add: Current Year Encumbrances		241,540	
Ending Cash Balance		\$ 2,733,013	

OSAGE COUNTY, OKLAHOMA
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS—
REMAINING AGGREGATE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Beginning		Ending	
	Cash Balances July 1, 2010	Receipts Apportioned	Disbursements	Cash Balances June 30, 2011
Remaining Aggregate Funds:				
Resale Property	\$ 843,706	\$ 374,120	\$ 294,695	\$ 923,131
Special Insurance	42,510	-	18,553	23,957
Sheriff Equipment	832	-	-	832
Sheriff B-4	210,769	283,750	376,657	117,862
County Clerk Records Preservation Fund	253,355	44,501	34,278	263,578
County Clerk Lien Fee	80,999	12,530	-	93,529
Treasurer Mortgage Certification Fee	92,610	7,395	16,997	83,008
Community Service	4,175	-	-	4,175
Capital Outlay and Equipment	1,037	-	-	1,037
County Sheriff Cash	82,283	127,039	126,077	83,245
County Assessor Cash	21,250	10,224	10,868	20,606
Nutrition Donation Fund	-	885	-	885
Osage County Trash COP	240	-	-	240
Law Enforcement Block Grant	565	-	-	565
County Building Fund	1,013	-	-	1,013
Emergency Management EOP Grant	24	-	-	24
SLA Grant Supplemental Award	107	-	-	107
Special E-911 Fund	93,072	62,434	34,730	120,776
Drug Grant #19	35,387	-	35,312	75
Drug Grant #20	22,925	228,035	199,424	51,536
Weather Radio Grant	372	81	351	102
250C-103 Bridges Grant	-	231,370	7,782	223,588
Community Development Block Grant 87	-	109,375	109,375	-
Local Emergency Planning Committee	356	-	-	356
Courthouse Security	42,466	23,926	13,648	52,744
E-911 Wireless	257,950	112,609	73,505	297,054
County Lodging Tax	141,326	60,339	96,811	104,854
Solar Energy Grant	-	200,000	150,502	49,498
Emergency Operation Center Grant	-	5,000	-	5,000
Combined Total - Remaining Aggregate Funds	\$ 2,229,329	\$ 1,893,613	\$ 1,599,565	\$ 2,523,377

**OSAGE COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

1. Budgetary Schedules

The Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis for the General Fund has not been presented. Therefore, the legally adopted budget cannot be compared with actual data for the General Fund.

2. Remaining County Funds

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

Resale Property – accounts for the collection of interest and penalties on delinquent taxes and disposition of the same as restricted by state statute.

Special Insurance – accounts for insurance reimbursements received for damages to county property and 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 state statute.

County Clerk Records Preservation Fund – accounts for fees collected for instruments filed in the County Clerk’s office as restricted by state statute for preservation of records.

County Clerk Lien Fee – accounts for lien collections and disbursements as restricted by state statute.

Treasurer Mortgage Certification Fee – accounts for the collection of fees by the County Treasurer for mortgage tax certificates and disbursement of funds as restricted by state statute.

Community Service – accounts for revenues 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 to support capital improvements.

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

County Assessor Cash – accounts for revenues from fees charged by the County Assessor and disbursements are for any legal expense of the County Assessor’s office.

**OSAGE COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Nutrition Donation Fund – accounts for donations received at the area nutrition locations where meals are provided; both congregate and individual, to senior citizens who are 60 years old or older and who are unable to leave their residence without assistance. Disbursements are grant restricted.

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.

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

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.

Drug Grant #19 – accounts for federal grant monies passed through the District Attorney's Council used by the County Sheriff's office for salaries, benefits and confidential funds.

Drug Grant #20 – accounts for federal grant monies passed through the District Attorney's Council used by the County Sheriff's office for salaries, benefits and confidential funds.

Weather Radio Grant – accounts for revenues from a federal grant to purchase weather radios. When older weather radios were sold, at a discount, the money was deposited with the County to purchase more weather radars.

250C-103 Bridges Grant – accounts for revenues received from Oklahoma Department of Transportation. Disbursements are used for bridge projects specified in the grant.

Community Development Block Grant 87 – accounts for monies from a federal grant for the purchase of an incubator.

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

**OSAGE COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

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 – accounts for revenues 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.

Solar Energy Grant – accounts for revenues from a federal grant for the purchase of solar panels on the new building at the fairgrounds.

Emergency Operation Center Grant – accounts for revenues received from a grant and used for an electronic badge system for the courthouse.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**OSAGE COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through the Indian Nations Council of Government (INCOG):			
Nutrition Program for the Elderly (Commodities)	10.570	N/A	\$ 78,389
Total U.S. Department of Agriculture			<u>78,389</u>
U.S. DEPARTMENT OF DEFENSE			
Direct Grant:			
Payments to States in Lieu of Real Estate Taxes	12.112	N/A	16,713
Total U.S. Department of Defense			<u>16,713</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	N/A	109,375
Total U.S. Department of Housing and Urban Development			<u>109,375</u>
U.S. DEPARTMENT OF THE INTERIOR			
Direct Grant:			
Payments in Lieu of Taxes	15.226	N/A	158,572
Total U.S. Department of the Interior			<u>158,572</u>
U.S. DEPARTMENT OF JUSTICE			
Passed through Oklahoma District Attorneys Council			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	JR09-013-02	159,998
Total U.S. Department of Justice			<u>159,998</u>
U.S. DEPARTMENT OF TRANSPORTATION			
Passed Through the Oklahoma Highway Safety Office:			
State and Community Highway Safety	20.600	N/A	10,377
Total U.S. Department of Transportation			<u>10,377</u>
U.S. DEPARTMENT OF ENERGY			
Direct Grant:			
Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	N/A	150,502
Total U.S. Department of Energy			<u>150,502</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through the Indian Nations Council of Government (INCOG):			
Special Programs for the Aging_ Title III, Part B_ Grants for Supportive Services and Senior Centers	93.044	* N/A	5,789
Special Programs for the Aging_ Title III, Part C_ Nutrition Services	93.045	* N/A	461,067
Aging Home-Delivered Nutrition Services for States (ARRA)	93.705	* N/A	5,123
Aging Congregate Nutrition Services for States (ARRA)	93.707	* N/A	24,613
Total U.S. Department of Health and Human Services			<u>496,592</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed Through the Oklahoma Department of Emergency Management:			
Emergency Management Performance Grants	97.042	N/A	10,000
Total U.S. Department of Homeland Security			<u>10,000</u>
Total Expenditures of Federal Awards			<u>\$ 1,190,518</u>

* Indicates a cluster program

**OSAGE COUNTY, OKLAHOMA
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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*.

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, 2011, 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 August 12, 2015. 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. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County for the year ended June 30, 2011 on the basis of accounting prescribed by Oklahoma state law, described in Note 1. 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. 2011-2 and 2011-4.

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 deficiency in internal control described in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting. 2011-1.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters regarding statutory compliance 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

August 12, 2015



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, 2011. 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 are 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.

In our opinion, 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, 2011.

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 a certain deficiency in internal control over compliance that we consider to be a material weakness.

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 item 2011-5 to be a material weakness.

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., section 24A.1 et seq.), and shall be open to any person for inspection and copying.



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

August 12, 2015

**OSAGE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

SECTION 1—Summary of Auditor’s Results

Financial Statements

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

Internal control over financial reporting:

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

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

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?..... Yes
- Significant deficiency(ies) identified? None reported

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

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

Identification of Major Programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
15.226	Payments in Lieu of Taxes
16.738	Edward Byrne Memorial Justice Assistance Grant Program
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
93.705	Aging Home-Delivered Nutrition Services for States (ARRA)

**OSAGE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

CFDA Number(s)
93.707

Name of Federal Program or Cluster
Aging Congregate Nutrition Services for
States (ARRA)

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, 2011**

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 2011- 1 - 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.

Recommendation: The Oklahoma State Auditor & Inspector's Office (OSAI) recommends that the County design procedures to identify and address risks. OSAI also recommends that the County design monitoring procedures to assess the quality of performance over time. These procedures should be written policies and procedures and could be included in the County's policies and procedures handbook.

Management Response:

Chairman, Board of County Commissioner: The County concurs communication between the officers could be better and one way to meet that goal would be to have a quarterly officers meeting. This is something the County will work to achieving in the future. The County will have meetings to review goals, budget concerns, policies and procedures, etc.

County Clerk: We will plan quarterly meetings in order to get input from other officers. We will cross train employees. We will also discuss emergency plans with other elected officials.

County Treasurer: We are trying to communicate better with elected official meetings. We will work on a plan for risk management and cross train employees.

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.

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,

**OSAGE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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.

Finding 2011- 2 - 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 oversight 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:

County Clerk: I took office in January, 2013 with a staff of three besides myself in the purchasing/payroll department. There was a constant turnover of staff, due to various reasons. Osage County does not have a separate Human Resources Department and currently the Payroll Clerk processes new hires, enters the information in the system and processes everything for payroll. The last year I have been able to hire an additional staff member to help in the purchasing/payroll department. I hope to start training someone else to help my Payroll Clerk. Signature stamps have not been used since we changed to the new purchasing software. My Payroll Clerk is also my First Deputy. Only she and I have access to blank warrants. I hope to put new procedures in place that will provide more checks and balances.

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 2011-4 – Information System (Repeat Finding)

Condition: The County's software was designed in the 1980's 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

**OSAGE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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: Former County Officials were reluctant to upgrade their accounting systems due to cost restraints and being unaware that their financial systems were subject to an increase in the risk of fraud due to the software developer no longer supporting the obsolete programs, including updating software. Additionally, former County Officials were unaware that deleting the audit log in order to run the application properly would increase the risk of fraud occurring and going undetected.

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 recordkeeping 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.

Management Response:

County Clerk: The Treasurer changed their software program on July 1, 2013 and the County Clerk changed their software in August of 2013. The 1980's system is no longer in place. The County Clerk's software support provides off-site backup. I have visited with our software support and they assured me that their software meets the CobiT requirements for IT controls and that all of our current computers are programmed to do all windows updates and security updates as they are released.

County Treasurer: A new financial system was put in place on July 1, 2013 when the new County Treasurer took office.

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.

**OSAGE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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 2011-5 – Schedule of Expenditures of Federal Awards (Repeat Finding)

PASS-THROUGH GRANTOR: Oklahoma District Attorneys Council; Oklahoma Highway Safety Office; Indian Nations Council of Government (INCOG);

FEDERAL AGENCY: U.S. Department of Defense, U.S. Department of Interior, U.S. Department of Justice, U.S. Department of Transportation, U.S. Department of Health and Human Services

CFDA NO: 12.112, 15.226, 16.738, 20.600, 93.044, 93.045

FEDERAL PROGRAM NAME: Payments to States in Lieu of Real Estate Taxes, Payments in Lieu of Taxes, Edward Byrne Memorial Justice Assistance Grant Program, State and Community Highway Safety, 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

FEDERAL AWARD NUMBER: JR09-013-02

FEDERAL AWARD YEAR: 2011

CONTROL CATEGORY: Reporting

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.

During our review and reconciliation of the Schedule of Expenditures of Federal Awards (SEFA) as initially prepared by Osage County the following was noted:

- CFDA 12.112 was understated by \$4,178.25.
- CFDA 15.226 was understated by \$134,449.89.
- CFDA 16.738 was overstated by \$49,238.45.
- CFDA 20.600 was overstated by \$7,491.89.
- CFDA 93.045 was understated by \$128,527.20.
- CFDA 93.044 was understated by \$136.35.

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 SEFA.

Recommendation: OSAI recommends that the County establish internal controls to ensure all federal awards are properly accounted for and reported on the SEFA.

Management Response:

Chairman, Board of County Commissioners: The County Clerk will send out a letter to all departments requesting their grant information for the current fiscal year. The letter will also request the contact information of the person tracking the grant expenditures and reimbursements. If the department does not have any grants for the fiscal year, they will be required to sign off on the letter stating such.

**OSAGE COUNTY, OKLAHOMA
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In addition, the County is seeking additional training for personnel involved in the grant programs to properly complete the SEFA.

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 for the achievement of Osage County's goals and 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 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 2011-6 - Inmate Trust (Repeat Finding)

Condition: An examination of the Inmate Trust Fund Checking Account reflected that bank reconciliations were not prepared.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure monthly bank reconciliations are preformed. Also, someone other than the preparer should be reviewing and approving the reconciliations.

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

Recommendation: OSAI recommends the following:

- Reconciliations should be performed monthly on the Inmate Trust Fund Checking Account and should be reviewed and approved by someone other than the preparer.

Management Response:

Osage County Sheriff: I have reviewed the audit finding regarding the Inmate Trust Fund reconciliation. I understand that although our bank statement is reconciled by the Jail Secretary and approved by the Jail Administrator each month, they did not attach the proper documentation to each statement. I spoke with the Jail Administrator and the Jail Secretary and they will make sure that the proper documentation is provided.

**OSAGE COUNTY, OKLAHOMA
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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.

**OSAGE COUNTY, OKLAHOMA
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Finding 2010-9 – Schedule of Expenditures of Federal Awards (Repeat Finding)

Pass-Through Grantor: Indian Nations Council of Government (INCOG), 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, 93.705, 93.707, 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, Aging Home-Delivered Nutrition Services for States, Aging Congregate Nutrition Services for States, Disaster Grants - Public Assistance (Presidentially Declared Disasters)

Federal Award Number: 1775, 1876, 1917

Federal Award Year: 2010

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-

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: No corrective action taken.

Finding 2010-15 – 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: 1775, 1876, 1917

Federal Award Year: 2010

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-

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

Status: Corrective action taken.

Finding 2010-16 – 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: 1775, 1876, 1917

**OSAGE COUNTY, OKLAHOMA
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Federal Award Year: 2010

Control Category: Matching, Level of Effort, Earmarking; Allowable Costs/Cost Principles

Questioned Costs: \$59,748.55

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

Status: Corrective action taken.

Finding 2010-18 – Internal Controls Over Major Programs – Nutrition Program (Repeat Finding)

Pass-Through Grantor: Indian Nations Council of Government (INCOG)

Federal Agency: United States Department of Health and Human Services

CFDA No: 93.044, 93.045, 93.053, 93.705, 93.707

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, Aging Home-Delivered Nutrition Services for States, Aging Congregate Nutrition Services for States

Federal Award Year: 2010

Control Category: Cash Management

Questioned Costs: \$-0-

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: Corrective action taken.

Finding 2010-20 – Signatures on Checks – Nutrition Program (Repeat Finding)

Pass-Through Grantor: Indian Nations Council of Government (INCOG)

Federal Agency: United States Department of Health and Human Services

CFDA No: 93.053, 93.044, 93.045, 93.705, 93.707

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, Aging Home-Delivered Nutrition Services for States, Aging Congregate Nutrition Services for States

Federal Award Year: 2010

Control Category: Program Income

Questioned Costs: \$-0-

Finding Summary: Procedures have not been designed to ensure that all required signatures are on the checks prior to disbursement.

Status: Corrective action taken.

Finding 2010-21 – Credit Cards – Nutrition Program (Repeat Finding)

Pass-Through Grantor: Indian Nations Council of Government (INCOG)

Federal Agency: United States Department of Health and Human Services

CFDA No: 93.053, 93.044, 93.045, 93.705, 93.707

**OSAGE COUNTY, OKLAHOMA
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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, Aging Home-Delivered Nutrition Services for States, Aging Congregate Nutrition Services for States

Federal Award Year: 2010

Category: Procurement and Suspension and Debarment

Questioned Costs: \$-0-

Finding Summary: Procedures have not been designed to ensure compliance with state statutes regarding purchasing current fiscal year revenues.

Status: Corrective action taken.

Finding 2010-22 – County-Wide Controls (Repeat Finding)

Pass-Through Grantor: Indian Nations Council of Government (INCOG); 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, 93.705, 93.707, 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, Aging Home-Delivered Nutrition Services for States, Aging Congregate Nutrition Services for States, Disaster Grants - Public Assistance (Presidentially Declared Disasters)

Federal Award Number: 1775, 1876, 1917

Federal Award Year: 2010

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

Finding Summary: Procedures have not been designed to ensure the County is in compliance with grant requirements.

Status: Corrective action taken.

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

Pass-Through Grantor: Indian Nations Council of Government (INCOG), Oklahoma Department of Emergency Management

Federal Agency: U.S. Department of Health and Human Services; U. S. Department of Homeland Security

CFDA No: 93.044, 93.045, 93.053, and 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: 1775 and 1735

Federal Award Year: 2009

**OSAGE COUNTY, OKLAHOMA
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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-

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: No corrective action taken.

Finding 2009-15 – Internal Controls Over Major Programs – FEMA

CFDA No: 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: Corrective action taken.

Finding 2009-16 – FEMA Files – Documentation of Federal Expenditures

CFDA No: 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 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.

Status: Corrective action taken.

Finding 2009-18 – Internal Controls Over Major Programs – Nutrition Program

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

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.

**OSAGE COUNTY, OKLAHOMA
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Status: Corrective action taken.

Finding-2009-19 – Purchasing – Nutrition Program

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

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 one instance.
- There was inadequate supporting documentation in two instances.

Status: Corrective action taken.

Finding 2009-20 – Signatures on Checks – Nutrition Program

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

Funding Agency: United States Department of Health and Human Services

Finding Summary: Each of the Nutrition sites receive 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 two checks from the Nutrition sites did not have the required two signatures.

Status: Corrective action taken.

Finding 2009-21 – Lack of Documentation – Nutrition Program

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

Funding Agency: United States Department of Health and Human Services

Finding Summary: 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.

Status: Corrective action taken.

**OSAGE COUNTY, OKLAHOMA
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Finding 2009-22 – Credit Card – Nutrition Program

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

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: Corrective action taken.

Finding 2009-23 – County-Wide Controls

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

Status: Corrective action taken.

Finding 2008-9 – Schedule of Expenditures of Federal Awards

Pass-Through Grantor: Indian Nations Council of Government (INCOG)

Federal Agency: U.S. Department of Housing and Urban Development; U. S. Department of Health and Human Services

CFDA No: 93.044, 93.045, 93.053, 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: 1717 and 1735

Federal Award Year: 2008

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

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: We do not believe this finding warrants further action because the Federal agency pass-through entity is not currently following up with the County on this finding.

**OSAGE COUNTY, OKLAHOMA
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

CFDA No: 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: We do not believe this finding warrants further action because the Federal agency pass-through entity is not currently following up with the County on this finding.

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

CFDA No: 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: We do not believe this finding warrants further action because the Federal agency pass-through entity is not currently following up with the County on this finding.

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

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

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: We do not believe this finding warrants further action because the Federal agency pass-through entity is not currently following up with the County on this finding.

**OSAGE COUNTY, OKLAHOMA
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Finding-2008-17 – Purchasing – Nutrition Program

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

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: We do not believe this finding warrants further action because the Federal agency pass-through entity is not currently following up with the County on this finding.

Finding 2008-18 – Signatures on Checks – Nutrition Program

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

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 testwork, it was noted that four checks from the Nutrition sites did not have the required two signatures.

Status: We do not believe this finding warrants further action because the Federal agency pass-through entity is not currently following up with the County on this finding.

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

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

Funding Agency: United States Department of Health and Human Services

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

Status: We do not believe this finding warrants further action because the Federal agency pass-through entity is not currently following up with the County on this finding.

Finding 2008-21 – Credit Cards – Nutrition Program

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

**OSAGE COUNTY, OKLAHOMA
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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: We do not believe this finding warrants further action because the Federal agency pass-through entity is not currently following up with the County on this finding.

Finding 2008-22 – County-Wide Controls

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

Status: We do not believe this finding warrants further action because the Federal agency pass-through entity is not currently following up with the County on this finding.



OFFICE OF THE STATE AUDITOR & INSPECTOR
2300 N. LINCOLN BOULEVARD, ROOM 100
OKLAHOMA CITY, OK 73105-4896

WWW.SAI.OK.GOV