

COUNTY AUDIT

OSAGE COUNTY

For the fiscal year ended June 30, 2015



*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, 2015**

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 Prairie Collection (<http://digitalprairie.ok.gov/cdm/search/collection/audits/>) pursuant to 65 O.S. § 3-114.



Oklahoma State Auditor & Inspector

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

July 24, 2017

TO THE CITIZENS OF
OSAGE COUNTY, OKLAHOMA

Transmitted herewith is the audit of Osage County, Oklahoma for the fiscal year ended June 30, 2015. 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 written in a cursive style with a long, sweeping tail on the letter "s".

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

**OSAGE COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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**OSAGE COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

INTERNAL CONTROL AND COMPLIANCE SECTION

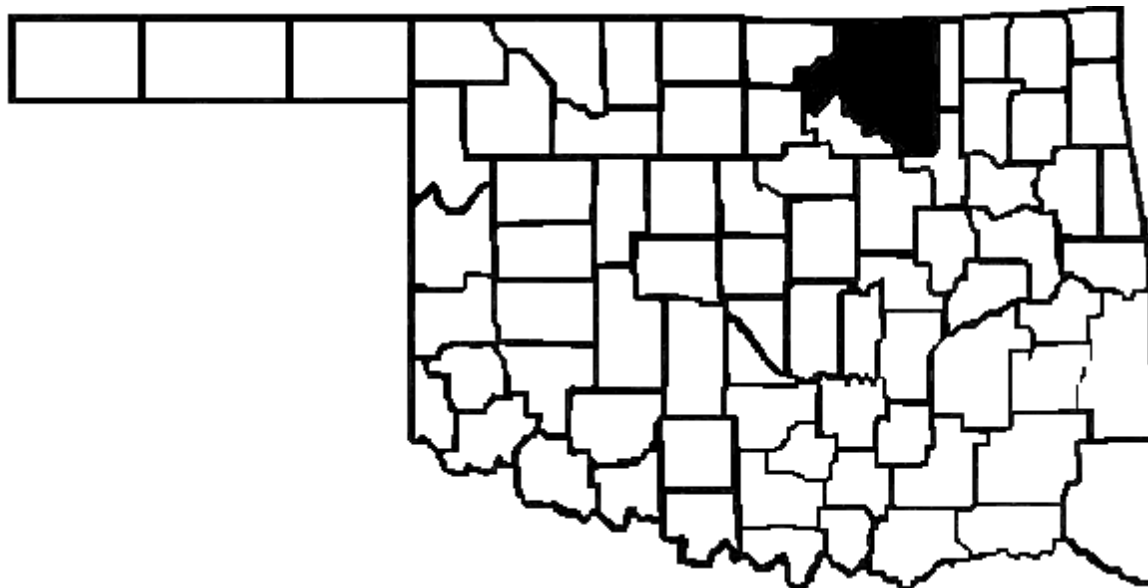
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**OSAGE COUNTY, OKLAHOMA
STATISTICAL INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**



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 918/287-3136.

County Seat – Pawhuska

Area – 2,303.80 Square Miles

County Population – 47,981
(2014 est.)

Farms – 1,325

Land in Farms – 1,216,673 Acres

Primary Source: Oklahoma Almanac 2015-2016

**OSAGE COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Board of County Commissioners

District 1 – Bob Jackson
District 2 – Scott Hilton
District 3 – Darren McKinney

County Assessor

Gail Hedgcoth

County Clerk

Shelia Bellamy

County Sheriff

Ty Koch

County Treasurer

Sally Hulse

Court Clerk

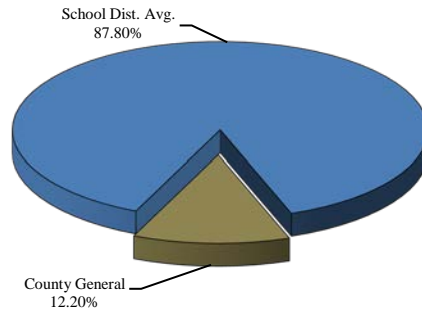
Jennifer Burd

District Attorney

Rex Duncan

**OSAGE COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

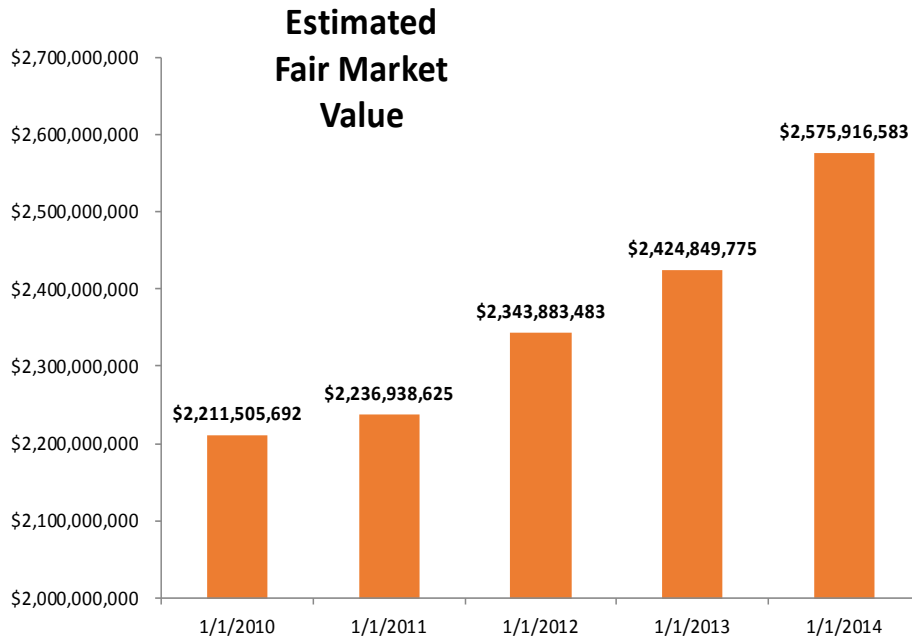
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the 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	10.50	Gen.	Bldg.	Skg.	Career Tech	Common	Total
Pawhuska	2	37.38	5.34	20.18	15.72	4.20	82.82
Osage Hills	3	35.59	5.08	4.87	15.72	4.20	65.46
Bowring	7	38.07	5.44	8.19	15.72	4.20	71.62
Shidler	11	36.98	5.28	-	-	4.20	46.46
Barnsdall	29	36.66	5.24	10.79	15.72	4.20	72.61
Wynona	30	37.20	5.31	13.28	15.72	4.20	75.71
Avant	35	36.36	5.19	9.68	15.72	4.20	71.15
Hominy	38	36.60	5.23	22.60	13.58	4.20	82.21
Prue	50	36.46	5.21	11.66	-	4.20	57.53
Anderson	52	36.83	5.26	12.22	-	4.20	58.51
McCord	77	37.13	5.30	10.75	15.81	4.20	73.19
Woodland	90	36.66	5.24	8.56	15.81	4.20	70.47
Tulsa	J-1	36.53	5.22	27.79	13.63	4.20	87.37
Sand Springs	J-2	37.03	5.29	31.41	13.63	4.20	91.56
Skiatook	J-7	36.66	5.24	31.65	13.63	4.20	91.38
Sperry	J-8	37.12	5.30	22.53	13.63	4.20	82.78
Dewey	12-7	37.12	5.30	23.15	15.72	4.20	85.49
Cleveland	J-6	36.19	5.17	21.85	13.58	4.20	80.99
Caney Valley	J-16	36.41	5.20	22.92	15.72	4.20	84.45
Bartlesville	J-30	36.57	5.22	26.72	15.72	4.20	88.43
Ponca City	J-71	37.29	5.33	21.93	-	4.20	68.75

**OSAGE COUNTY, OKLAHOMA
 ASSESSED VALUE OF PROPERTY
 TREND ANALYSIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

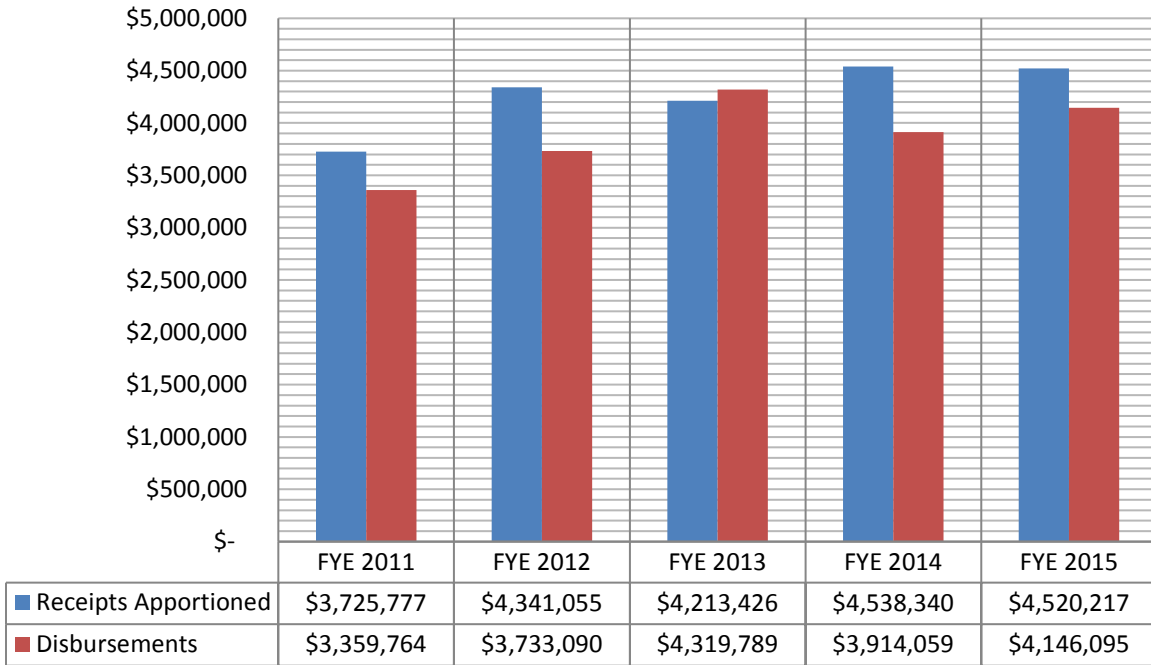
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2014	\$43,321,603	\$43,817,917	\$231,591,642	\$9,621,172	\$309,109,990	\$2,575,916,583
1/1/2013	\$39,551,114	\$37,068,809	\$224,057,338	\$9,695,288	\$290,981,973	\$2,424,849,775
1/1/2012	\$34,879,231	\$38,069,782	\$218,015,929	\$9,698,924	\$281,266,018	\$2,343,883,483
1/1/2011	\$30,310,077	\$38,792,333	\$209,166,970	\$9,836,745	\$268,432,635	\$2,236,938,625
1/1/2010	\$40,107,763	\$31,944,671	\$203,371,917	\$10,043,668	\$265,380,683	\$2,211,505,692



**OSAGE COUNTY, OKLAHOMA
COUNTY GENERAL FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

County General Fund

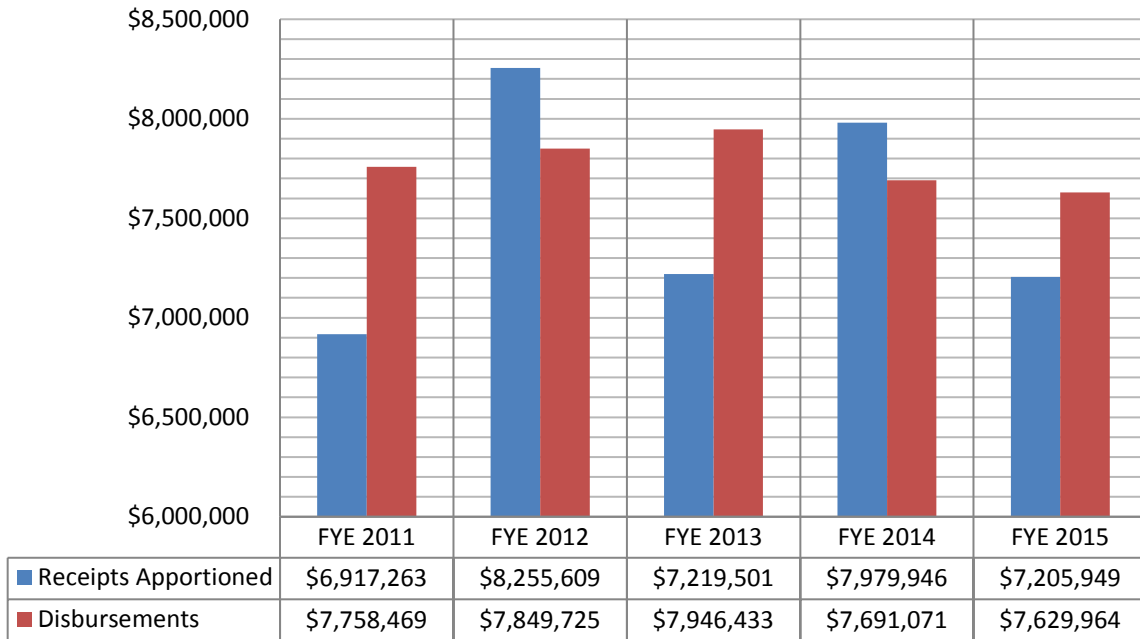
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also 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, 2015**

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

Report on the Financial Statement

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, 2015, and the related notes to the financial statement, which collectively comprise the County's basic financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the regulatory basis of accounting described in Note 1, and for determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by Osage County using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Osage County as of June 30, 2015, or changes in its financial position for the year then ended.

Opinion on Regulatory Basis of Accounting

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, 2015, in accordance with the basis of accounting described in Note 1.

Other Matters

Other Information

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, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the remaining Other Supplementary Information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statement.

The Schedule of Expenditures of Federal Awards and the Other Supplementary Information, as listed in the table of contents, is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and the Other Supplementary Information, as listed in the table of contents, 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 subjected to the auditing procedures applied in the audit of the financial statement, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 20, 2017, 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 in considering Osage County's internal control over financial reporting and compliance.

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

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

July 20, 2017

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, 2015

	Beginning Cash Balances July 1, 2014	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2015
Combining Information:						
Major Funds:						
County General	\$ 3,858,896	\$ 4,520,217	\$ -	\$ -	\$ 4,146,095	\$ 4,233,018
T-Highway	2,863,851	7,205,949	-	-	7,629,964	2,439,836
County Health for the Elderly	2,536,807	1,001,419	-	-	732,869	2,805,357
Sales Tax	1,342,607	3,996,870	350,000	-	5,061,659	627,818
Sales Tax Investment	5,000,000	-	-	350,000	-	4,650,000
Use Tax	1,958,774	1,013,517	-	-	797,798	2,174,493
County Bridge & Road Improvement Fund	481,846	544,985	-	-	365,645	661,186
Osage County Nutrition Program	161,690	499,052	-	-	511,251	149,492
Remaining Aggregate Funds	2,620,120	1,489,311	-	-	1,083,042	3,026,389
Combined Total - All County Funds	\$ 20,824,591	\$ 20,271,320	\$ 350,000	\$ 350,000	\$ 20,328,323	\$ 20,767,589

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, 2015**

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 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 Osage County.

T-Highway – accounts for state, local, and miscellaneous receipts and disbursements 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 the County Department of Health.

Sales Tax Investments – accounts for sales tax revenue held in short-term investments for future use.

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, 2015**

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.

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

**OSAGE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

**OSAGE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

Sales Tax of July 27, 2010

On July 27, 2010, the voters of Osage County approved to extend the 1% (one percent) county-wide sales tax previously approved February 8, 1994.

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, 2014, and has an unlimited duration.

These funds are accounted for in the General and Sales Tax Funds.

**OSAGE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Sales Tax of July 25, 2006

The voters of Osage County approved a 0.25% (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.

- On May 28, 2015, \$100,000 was transferred from the Sales Tax Investment fund to the Sales Tax fund to cover needed expenses.
- On June 29, 2015, \$250,000 was transferred from the Sales Tax Investment fund to the Sales Tax fund to cover needed expenses.

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, 2015

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 3,858,896	\$ 3,858,896	\$ -
Less: Prior Year Outstanding Warrants	(210,254)	(210,254)	-
Less: Prior Year Encumbrances	(151,050)	(151,050)	-
Beginning Cash Balances, Budgetary Basis	<u>3,497,592</u>	<u>3,497,592</u>	<u>-</u>
Receipts:			
Ad Valorem Taxes	2,950,595	3,188,940	238,345
Charges for Services	330,643	209,253	(121,390)
Intergovernmental Revenues	792,805	974,953	182,148
Miscellaneous Revenues	50,162	147,071	96,909
Total Receipts, Budgetary Basis	<u>4,124,205</u>	<u>4,520,217</u>	<u>396,012</u>
Expenditures:			
District Attorney	137,000	136,700	300
County Sheriff	166,788	160,288	6,500
County Treasurer	150,619	150,619	-
County Commissioners	166,763	166,763	-
OSU Extension	125,414	79,491	45,923
County Clerk	306,519	286,005	20,514
Court Clerk	154,169	153,351	818
County Assessor	587,706	416,940	170,766
Revaluation of Real Property	820,887	696,289	124,598
General Government	3,230,767	296,176	2,934,591
Excise-Equalization Board	10,700	7,743	2,957
County Election Board	145,017	120,377	24,640
Insurance	951,196	816,446	134,750
County Purchasing Agent	32,778	32,269	509
Data Processing	25,000	8,858	16,142
Charity	5,811	1,500	4,311
County Emergency Management	69,731	63,992	5,739
County Planning and Zoning	111,300	102,377	8,923
County Fairgrounds	173,190	115,307	57,883
County Free Fair	27,000	23,048	3,952
County Solid Waste	41,531	38,322	3,209
County Enhanced 911	151,000	133,811	17,189
County Audit Budget Account	30,911	2,712	28,199
Total Expenditures, Budgetary Basis	<u>7,621,797</u>	<u>4,009,384</u>	<u>3,612,413</u>

Continued on next page

**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, 2015**

	General Fund		
	Budget	Actual	Variance
Continued from previous page			
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	4,008,425	\$ 4,008,425
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Reserves		45,339	
Add: Current Year Outstanding Warrants		155,033	
Add: Lapsed Appropriations FY13-FY14		24,221	
Ending Cash Balance		\$ 4,233,018	

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, 2015

	Beginning		Ending	
	Cash Balances July 1, 2014	Receipts Apportioned	Disbursements	Cash Balances June 30, 2015
Remaining Aggregate Funds:				
Resale Property	\$ 1,141,532	\$ 418,421	\$ 227,279	\$ 1,332,674
Special Insurance	23,957	-	-	23,957
Sheriff Equipment	832	-	-	832
Sheriff B-4	176,927	330,826	322,711	185,042
County Clerk Records Preservation Fund	305,120	43,230	16,789	331,561
County Clerk Lien Fee	115,405	24,711	13,465	126,651
Treasurer Mortgage Certification Fee	89,155	6,965	1,491	94,629
Community Service	2,955	-	99	2,856
Capital Outlay and Equipment	1,037	-	-	1,037
County Sheriff Cash	201,301	152,792	137,008	217,085
County Assessor Cash	15,079	5,908	2,881	18,106
Nutrition Donation Fund	2,587	861	359	3,089
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	8,379	-	7,997	382
Special E-911 Fund	147,263	57,133	13,537	190,859
Hazard Mitigation	-	-	-	-
Sheriff Jail Canteen	37,747	112,942	106,553	44,136
Free Fair	1,869	345	-	2,214
Fairgrounds Cash Account	19,493	64,788	37,048	47,233
Public Works Authority	8,708	44	-	8,752
E-911 Tower	-	1,050	-	1,050
Drug Grant #19	75	-	-	75
Drug Grant JAG	48,631	-	-	48,631
Weather Radio Grant	276	-	-	276
Safe Room Grant	-	6,000	6,000	-
Local Emergency Planning Committee	2,178	1,000	-	3,178
Courthouse Security	17,438	23,149	17,838	22,749
E-911 Wireless	198,206	157,118	99,219	256,105
County Lodging Tax	51,433	82,028	72,768	60,693
Emergency Management Performance Grant	695	-	-	695
Combined Total - Remaining Aggregate Funds	\$ 2,620,120	\$ 1,489,311	\$ 1,083,042	\$ 3,026,389

**OSAGE COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

1. Budgetary Schedules

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

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

2. Remaining County Funds

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

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. 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 disbursements 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.

**OSAGE COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

County Sheriff Cash – accounts for the collection and disbursement of money supplied to the Sheriff’s office for the housing of prisoners for towns, tribes, and other counties. Disbursements as restricted by state statute.

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.

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.

Hazard Mitigation – accounts for federal funds for the purpose of hazard mitigation.

Sheriff Jail Canteen – accounts for the collection of the sale of items to inmates and disbursements to purchase commissary goods from the vendor and can be used for the maintenance and operations of the County jail.

Free Fair – accounts for miscellaneous receipts, and disbursements are for the maintenance and operation of the Free Fair.

**OSAGE COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Fairgrounds Cash Account – accounts for the collection of rental income and other miscellaneous receipts. Disbursements are for the purpose of maintenance and operation of the fairgrounds.

Public Works Authority – accounts for the collection of federal grant monies, interest on investments, and rental income. Disbursements are for the purpose of federal CDBG grants and payment of utilities.

E-911 Tower – accounts for the collection of rental income associated with E-911 tower.

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

Drug Grant JAG – accounts for the federal grant monies passed through the District Attorney's Council used by the Sheriff's office for salaries and benefits.

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.

Safe Room Grant – accounts for federal revenues obtained from the Federal Emergency Management Agency and disbursements are for safe rooms for individual Osage County citizens who applied and were approved for the grant.

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.

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

Emergency Management Performance Grant – accounts for revenues from a federal grant to be used for an emergency management employee to attend college.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**OSAGE COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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	34091241	\$ 71,091
Total U.S. Department of Agriculture			<u>71,091</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	15178 CDBG 12	28,341
Total U.S. Department of Housing and Urban Development			<u>28,341</u>
U.S. DEPARTMENT OF THE INTERIOR			
Direct Grant:			
Payments in Lieu of Taxes	15.226	N/A	153,515
Flood Control Act Lands	15.433	N/A	31,782
Total U.S. Department of the Interior			<u>185,297</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	34091241	15,251
Special Programs for the Aging_ Title III Part C_ Nutrition Services	93.045	34091241	231,231
Total U.S. Department of Health and Human Services			<u>246,482</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed Through the Oklahoma Department of Emergency Management			
Hazard Mitigation Grant	97.039		6,000
Emergency Management Performance Grants	97.042		20,000
Total U.S. Department of Homeland Security			<u>26,000</u>
Total Federal Expenditures			<u>\$ 557,211</u>

**OSAGE COUNTY, OKLAHOMA
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

Independent Auditor's 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, in accordance with the 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, the combined total—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, 2015, and the related notes to the financial statement, which collectively 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 July 20, 2017.

Our report included an adverse opinion on the financial statement because the statement is prepared using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than 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, 2014, on the basis of accounting prescribed by Oklahoma state law, described in Note 1.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered Osage County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of Osage County's internal control. Accordingly, we do not express an opinion on the effectiveness of Osage County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and 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 described in the accompanying schedule of findings and questioned costs to be material weaknesses: 2015-1 and 2015-4.

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 deficiencies described in the accompanying schedule of findings and questioned costs to be a significant deficiency: 2015-2.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Osage County's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2015-4.

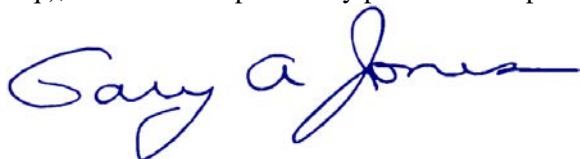
Osage County's Responses to Findings

Osage County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Osage County's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is also a public document pursuant to the Oklahoma Open Records Act (51 O.S. § 24A.1 et seq.), and shall be open to any person for inspection and copying.

A handwritten signature in blue ink that reads "Gary A. Jones". The signature is fluid and cursive, with the first name "Gary" being the most prominent part.

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

July 20, 2017



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 for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

TO THE OFFICERS OF
OSAGE COUNTY, OKLAHOMA

Report on Compliance for Each Major Program

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, 2015. 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.

Management's Responsibility

Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs are the responsibility of Osage County's management.

Auditor's Responsibility

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.

Opinion on Each Major Federal Program

In our opinion, Osage 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, 2015.

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.

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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Other Matters

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.

A handwritten signature in blue ink that reads "Gary A. Jones". The signature is fluid and cursive, with the first name "Gary" being the most prominent.

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

July 20, 2017

**OSAGE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

SECTION 1—Summary of Auditor’s Results

Financial Statements

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

Internal control over financial reporting:

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

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

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?..... None Reported
- 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?..... No

Identification of Major Programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
15.226	Payments in Lieu of Taxes
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

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, 2015**

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 2015-1 - Inadequate County-Wide Controls (Repeat Finding)

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

Cause of Condition: Policies and 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:

BOCC Chariman: The Board of County Commissioners meets every Monday and is attended by the other elected officials. A renewed effort is being made regarding having quarterly meetings for the elected officials. The downtown offices give quarterly updates to the Board. Because Osage County is so large and there is inadequate space in the Courthouse for all administrative offices, it makes it difficult to oversee all the offices. In the future the Board hopes to have all administrative offices located in one location to improve monitoring.

Criteria: Internal control is an integral component of an organization's management that provides reasonable assurance that the objectives of effectiveness and efficiency of operations, reliability of financial reporting and compliance with laws and regulations are being met. 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, comparisons, reconciliations, and other actions people take in performing their duties. It includes ensuring that

**OSAGE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

management know their responsibilities for internal control and the need to make control monitoring part of their regular operating process.

Finding 2015-2 - 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: Policies and procedures have not been designed and implemented 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: We have been working over the last few months on training an additional employee to help with payroll. In the near future I will be talking to our software support to change her access to allow her to make changes. Our next step is to alternate entering the information so that it is not always the same person. We hope to have one person enter the changes and one process the payroll and alternate each time. Currently, we have three people checking payroll. All printed warrants have electronic signatures, either myself or the Chairman initial these warrants. We are working diligently in resolving these issues.

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 2015-4 – Inadequate Internal Controls and Noncompliance Over Sales Tax (Repeat Finding)

Condition: Upon inquiry and observation of the recordkeeping process of sales tax collections and disbursement, the following was noted:

- A county sales tax was deposited into the County General Fund as specified by Title 68 O.S. § 1370(E). However, the funds were not discretely presented in a separate account within the

**OSAGE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

County General Fund and therefore, sales tax revenues and expenditures made with sales tax funds could not be identified.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure compliance with 68 O.S. § 1370(E) and Attorney General Opinions.

Effect of Condition: This condition resulted in the sales tax not being appropriated in accordance with the sales tax ballot, and noncompliance with state statute and Attorney General Opinions and could result in unrecorded transactions, misstated financial reports, undetected errors, and misappropriation of funds.

Recommendation: OSAI recommends that the County sales tax apportioned to the County General Fund be accounted for in separate account so as to discretely present the expenditures. In addition, the sales tax should be expended in such a manner as to provide assurance that expenditures are made in accordance with purposes as specified by the sales tax ballot as outlined by Title 68 O.S. § 1370(E).

Management Response:

BOCC Chairman: The County Clerk and the County Treasurer are working together to decide the best course of action to rectify this matter.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designed to analyze and check accuracy, and completeness of sales tax calculations prior to being appropriated.

Title 68 O.S. § 1370(E) states in part, “Any sales tax which may be levied by a county shall be designated for a particular purpose...The county shall identify the purpose of the sales tax when it is presented to the voters pursuant to the provisions of subsection A of this section...the proceeds of any sales tax levied by a county shall be deposited in the general revenue or sales tax revolving fund of the county and shall be used only for the purpose for which such sales tax was designated....”

Further, 2005 OK AG 23 states in part: (3) Proceeds of a county sales tax voted for a specific purpose but placed in the county's general fund must be accounted for as a discrete fund, and any surplus not needed for the stated purpose during one fiscal year must be transferred to the county budget for the next fiscal year, for the same specified purpose. 68 O.S. Supp.2004, § 1370(E), (I); 19 O.S. 2001, §§ 386, 387; 68 O.S. 2001, § 3010.

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

No matters were reported.

**OSAGE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

No matters were reported.



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