

COUNTY AUDIT

# SEMINOLE COUNTY

For the fiscal year ended June 30, 2008



*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

**SEMINOLE COUNTY, OKLAHOMA  
FINANCIAL STATEMENT  
AND INDEPENDENT AUDITOR'S REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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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](http://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

December 3, 2012

TO THE CITIZENS OF  
SEMINOLE COUNTY, OKLAHOMA

Transmitted herewith is the audit of Seminole County, Oklahoma for the fiscal year ended June 30, 2008. 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, appearing to read 'Gary A. Jones', written in a cursive style.

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

**SEMINOLE COUNTY, OKLAHOMA  
FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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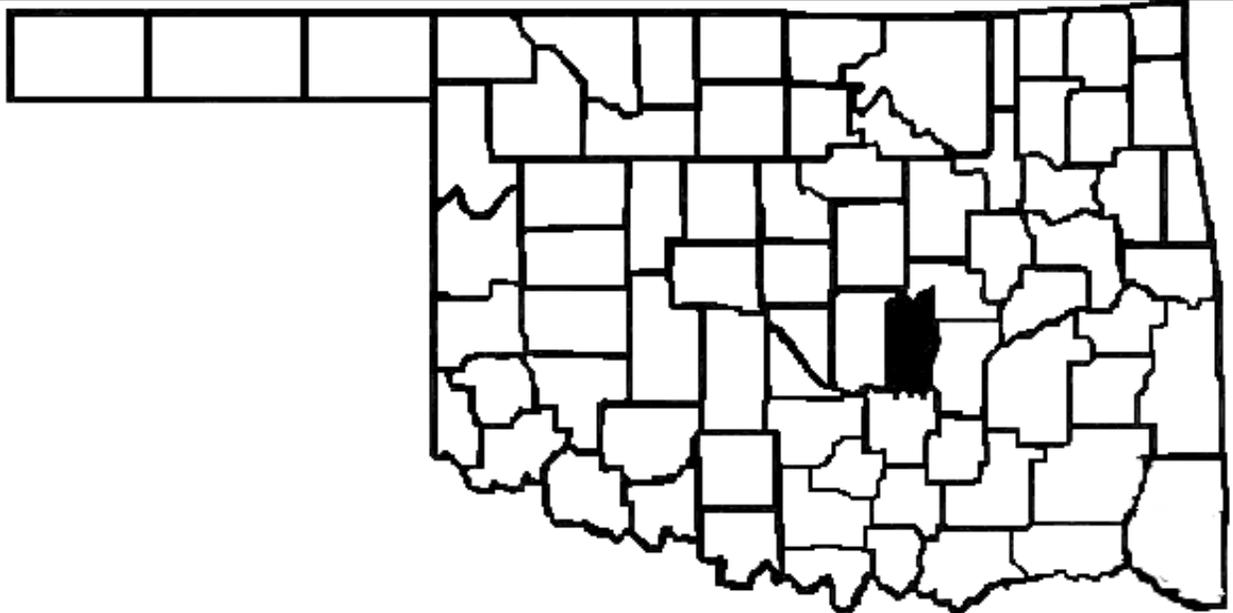
**SEMINOLE COUNTY, OKLAHOMA  
FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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



Taking its name from a Creek word meaning “runaway” or “those who camp at a distance,” this county was originally part of the Seminole Nation, Indian Territory. As a result of a treaty with the Creeks in 1856, the Seminoles received an estimated 2,169,080 acres of land in the Indian Territory where they could establish their own government and laws. They were the last of the Five Civilized Tribes to organize their own government in this region.

Although oil exploration began near Wewoka as early as 1902, it was not until 1923 and the discovery of the Greater Seminole Field, that the county experienced an economic boom. By September 1929, this became the premier high-gravity oil field in the United States. Now, agriculture and manufacturing also contribute to the economy.

Businesses engaged in the production of clothing, oil field chemicals and tanks, air blasting equipment, and others are located in the area. Seminole State College continues the tradition first exemplified by the founding of the Mekasukey Academy for Seminole boys in 1891 and the Emahaka Boarding School for Seminole girls in 1893.

Sources of recreational activities include area lakes, as well as public golf courses in Seminole and Wewoka. For more information, call the county clerk’s office at (405) 257-2501.

County Seat – Wewoka

Area – 640.57 Square Miles

County Population – 24,770 (2005 est.)

Farms – 1,167

Land in Farms – 279,262 Acres

Primary Source: Oklahoma Almanac 2007-2008

See independent auditor’s report.

**SEMINOLE COUNTY OFFICIALS  
AND RESPONSIBILITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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**COUNTY ASSESSOR**  
Billy Parks

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

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

**COUNTY CLERK**  
Tim Anderson

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

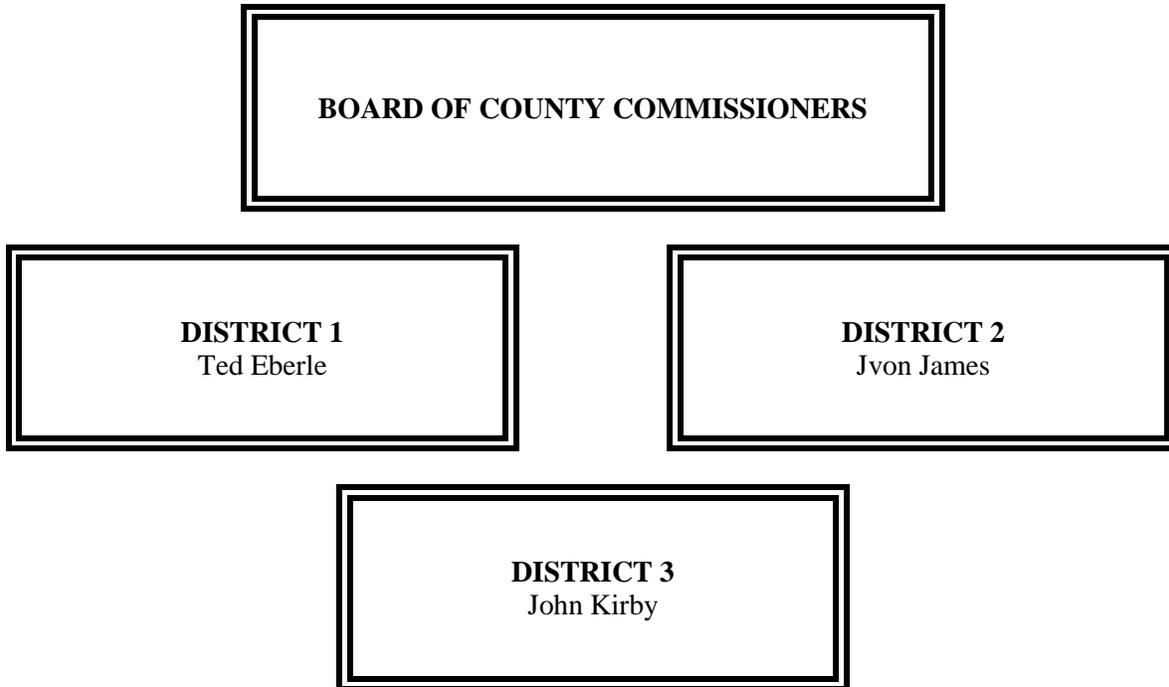
The County Clerk reviews all the claims for payment of goods and services purchased or contracted by the county, and prepares the proper warrants for payment of those goods and services and the county payroll. The County Clerk, or his or her designated deputy, serves as the purchasing agent for the county.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

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

See independent auditor's report.

**SEMINOLE COUNTY OFFICIALS  
AND RESPONSIBILITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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

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

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

See independent auditor's report.

**SEMINOLE COUNTY OFFICIALS  
AND RESPONSIBILITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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**COUNTY SHERIFF**  
Joe Craig

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

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

**COUNTY TREASURER**  
Jim Hardin

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

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

See independent auditor's report.

**SEMINOLE COUNTY OFFICIALS  
AND RESPONSIBILITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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**COURT CLERK**  
Sharon Post

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

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

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

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

**DISTRICT ATTORNEY**  
Chris Ross

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

See independent auditor's report.

**SEMINOLE COUNTY OFFICIALS  
AND RESPONSIBILITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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**ELECTION BOARD SECRETARY**  
Mary Jo Rains

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

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

See independent auditor's report.



**SEMINOLE COUNTY, OKLAHOMA  
COMPUTATION OF LEGAL DEBT MARGIN  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(UNAUDITED)**

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Total net assessed value as of January 1, 2007		<u>\$ 110,513,760</u>
Debt limit - 5% of total assessed value		5,525,688
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	-	-
Legal debt margin		<u>\$ 5,525,688</u>

See independent auditor's report.

**SEMINOLE COUNTY, OKLAHOMA  
RATIO OF NET GENERAL BONDED DEBT TO ASSESSED  
VALUE AND NET BONDED DEBT PER CAPITA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(UNAUDITED)**

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	2008
Estimated population	24,770
Net assessed value as of January 1, 2007	\$ 110,513,760
Gross bonded debt	-
Less available sinking fund cash balance	-
Net bonded debt	\$ -
Ratio of net bonded debt to assessed value	0.00%
Net bonded debt per capita	\$ -

See independent auditor's report.

**SEMINOLE COUNTY, OKLAHOMA  
ASSESSED VALUE OF PROPERTY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(UNAUDITED)**

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Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2007	\$17,394,476	\$44,504,833	\$55,155,674	\$6,541,223	\$110,513,760	\$799,354,093

See independent auditor's report.

**FINANCIAL SECTION**



# Oklahoma State Auditor & Inspector

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

## Independent Auditor's Report

TO THE OFFICERS OF  
SEMINOLE COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Seminole County, Oklahoma, as of and for the year ended June 30, 2008, listed in the table of contents as the basic financial statement. This financial statement is the responsibility of Seminole County's management. Our responsibility is to express an opinion on this financial statement based on our audit.

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

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

In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Seminole County as of June 30, 2008, or changes in its financial position for the year then ended.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash of Seminole County, for the year ended June 30, 2008, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2012, on our consideration of Seminole County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

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

November 29, 2012

## **Basic Financial Statement**

**SEMINOLE COUNTY, OKLAHOMA  
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH BALANCES  
(WITH COMBINING INFORMATION)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	Beginning Cash Balances July 1, 2007	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2008
Combining Information:				
County General Fund	\$ 727,550	\$ 2,343,872	\$ 2,095,162	\$ 976,260
County Highway	1,266,930	4,172,745	3,457,405	1,982,270
Resale Property	137,777	116,866	76,473	178,170
County Health	404,496	311,896	534,217	182,175
County General Sales Tax	236,573	271,473	204,029	304,017
Highway Sales Tax	537,058	834,419	1,023,071	348,406
Sheriff Sales Tax	127,459	271,473	305,293	93,639
Treasurer Mortgage Fees	15,052	5,225	6,069	14,208
County Clerk Lien Fee	20,036	44,498	23,309	41,225
Community Service	220	-	136	84
Sheriff Service Fees	102,824	199,275	185,896	116,203
Sheriff OG&E	8,532	-	5,039	3,493
Sheriff Transport B-4	86,351	132,221	196,940	21,632
Civil Defense	2,004	-	2,004	-
Law Enforcement Grant	56	-	-	56
LEPC	706	-	-	706
Floodplain	435	-	435	-
Solid Waste - Trash Fund	3,599	199	-	3,798
Teen Court	2	-	-	2
Special Road Project - BIA	-	1,666,462	1,184,616	481,846
911 Grant	87	-	-	87
Assessor Revolving	6,072	6,631	5,216	7,487
County Clerk Preservation	32,124	84,045	30,832	85,337
Sheriff Commissary	8,925	-	3,990	4,935
Emergency 911	135,410	386,918	402,341	119,987
CDBG Fairground Grant	-	98,522	96,507	2,015
Sheriff Donation	842	25	355	512
Strother Fire Dept REAP	3	20,858	20,861	-
Jail Tax	102,837	1,172,777	332,439	943,175
Fire Tax	51,418	581,027	203,451	428,994
Emergency Management Fund	-	26,728	21,147	5,581
<b>Combined Total -- All County Funds</b>	<b>\$ 4,015,378</b>	<b>\$ 12,748,155</b>	<b>\$ 10,417,233</b>	<b>\$ 6,346,300</b>

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

**SEMINOLE COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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**1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

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

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

**B. Fund Accounting**

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

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

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

County Highway – accounts for state, local, and miscellaneous receipts and disbursements for the purpose of construction and maintaining county roads and bridges.

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

County Health – accounts for monies collected on behalf of the county health department from ad valorem taxes and state and local revenues.

County General Sales Tax – accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax resolution.

**SEMINOLE COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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Highway Sales Tax – accounts for the collection of sales tax revenue and the disbursements of funds as restricted by the sales tax resolution.

Sheriff Sales Tax – accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax resolution.

Treasurer Mortgage Fees – accounts for the collection of fees by the Treasurer for mortgage tax certificates and the disbursement of the funds as restricted by statutes.

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

Community Service – accounts for the collection of funding through the State Department of Corrections for administrative expenses and supervision of offenders.

Sheriff Service Fees – accounts for the collection and disbursement of sheriff process service fees as restricted by statute.

Sheriff OG&E – accounts for payments from OG&E for deputies' salaries for patrolling OG&E premises and the surrounding area.

Sheriff Transport B-4 – accounts for the monies received from the State of Oklahoma for the boarding and feeding of DOC prisoners and for service fees received for transportation of inmates and juveniles.

Civil Defense – accounts for the receipt and disbursement of funds from the state and local governments for civil defense purpose.

Law Enforcement Grant – accounts for grant monies received from the U.S. Department of Justice Local Law Enforcement Block Grant Program used for the Sheriff's office.

LEPC – accounts for state funds received for local emergency planning.

Floodplain – accounts for fees collected from inspections and assessments of flood plain areas and is used for the general operations of the emergency management office.

Solid Waste – Trash Fund – accounts for grants funds received from the State of Oklahoma for the enforcement of trash and litter laws.

Teen Court – accounts for the remaining match funds for a federal grant for juvenile court.

Special Road Project – BIA – accounts for funding received by Indian nations from the Bureau of Indian Affairs and disbursed to the County for special road projects.

**SEMINOLE COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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911 Grant – accounts for the remaining match from a state grant from the Corporation Commission for the development of an emergency 911 system.

Assessor Revolving – accounts for the collection of fees for copies restricted by state statutes.

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

Sheriff Commissary – accounts for the collection of fees transferred from the inmate trust money for commissary items and disbursement of funds as restricted by state statute.

Emergency 911 – accounts for monies received from private telephone companies for the operation of emergency 911 services.

CDBG Fairground Grant – accounts for community development block grant funds received and the disbursement of funds as restricted by grant agreement.

Sheriff Donation – accounts for donations to the Sheriff's department.

Strother Fire Department REAP – accounts for state grants for the purpose of fire equipment for Strother Fire Department.

Jail Tax – accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax resolution.

Fire Tax – accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax resolution.

Emergency Management Fund – accounts for monies received from the Federal Emergency Management Agency for administration fees. Disbursements from this fund are for the operation of the Seminole County Emergency Management Office.

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

**C. Basis of Accounting**

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

**SEMINOLE COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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expenditures or expenses to be recognized when the related liabilities are incurred. This cash basis financial presentation is not a comprehensive measure of economic condition or changes therein.

**D. Budget**

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

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

**E. Cash**

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

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

**F. Investments**

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

- U.S. Government obligations
- Certificates of deposit
- Savings accounts
- G.O. bonds issued by counties, municipalities or school districts
- Money judgments against counties, municipalities or school districts
- Bonds and revenue notes issued by a public trust when the beneficiary of the trust is a county, municipality or school district
- Negotiable certificates of deposit
- Prime bankers acceptance which are eligible for purchase by the Federal Reserve System
- Prime commercial paper with a maturity of 180 days or less
- Repurchase agreements

**SEMINOLE COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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- Money market funds regulated by the Securities and Exchange Commission and which investments consist of the above-mentioned types of investments

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

**G. Compensated Absences**

All full-time Seminole County employees shall be entitled to vacation leave that is accrued on a monthly basis in accordance with the schedule outlined below:

<u>Years of Service</u>	<u>Accrual Rates</u>	<u>Annual Leave</u>
1-5 years		80 hours
6-14 years		120 hours
15-20 years		144 hours
Over 20 years		160 hours

Vacation benefits are earned by the employee during the year and may accumulate up to 40 hours. Upon separation (except for retirement), employees are not entitled to payment of accumulated annual leave and such accumulated leave shall be forfeited.

Sick leave benefits are accrued at the rate of 10 hours per month and employees may accumulate up to 500 hours for individual use and up to 1000 hours with the additional 500 hours for donation purposes only. Sick leave is not paid upon termination.

**2. Ad Valorem Tax**

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

The assessed property value as of January 1, 2007, was approximately \$110,513,760.

The County levied 10.44 mills for general fund operations and 2.61 mills for county health department. In addition, the County collects the ad valorem taxes assessed by cities and towns and school districts, and remits the ad valorem taxes collected to the appropriate taxing units.

**SEMINOLE COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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

Current year tax collections for the year ended June 30, 2008, were approximately 95.69 percent of the tax levy.

**3. Fuel Tax**

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

**4. Risk Management**

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

**5. Long-term Obligations**

**Capital Leases**

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

**6. Pension Plan**

Plan Description. The County contributes to the Oklahoma Public Employees Retirement Plan (the Plan), a cost-sharing, multiple-employer defined benefit pension plan administered by the Oklahoma Public Employees Retirement System (OPERS). Benefit provisions are established and amended by the Oklahoma Legislature. The Plan provides retirement, disability, and death

**SEMINOLE COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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benefits to Plan members and beneficiaries. Title 74, Sections 901 through 943, as amended, establishes the provisions of the Plan. OPERS issues a publicly available financial report that includes financial statements and supplementary information. That report may be obtained by writing OPERS, P.O. Box 53007, Oklahoma City, Oklahoma 73105 or by calling 1-800-733-9008.

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

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

**7. Other Post Employment Benefits (OPEB)**

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

**8. Contingent Liabilities**

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

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in management's opinion, the resolution of these matters will not have a material adverse effect on the financial condition of the County.

**9. Sales Tax**

On November 2, 2004, the Seminole County voters approved the renewal of a ½ of one percent sales tax for a period of five years beginning September 1, 2005. Proceeds of the tax are designated as follows:

- 60 percent—county road fund for the repair or replacement of county roads, bridges, and equipment.

**SEMINOLE COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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- 20 percent—county sheriff
- 20 percent—county general government for the maintenance and operations on county property and operating expenses.

On November 7, 2006, the Seminole County voters approved an additional  $\frac{1}{2}$  percent sales tax for acquiring, construction, equipping, repairing, renovating, operating, and maintaining County jail facilities; to pay the principle of and interest on indebtedness incurred on behalf of said County by the Seminole County Public Building Authority for such purposes; and any remainder for other County purposes expiring April 1, 2027.

On November 7, 2006, the Seminole County voters also approved a  $\frac{1}{4}$  percent sales tax for funding the fire departments in the following communities: Bowlegs, Cromwell, Konawa, Maud, Sasakwa, Seminole, Strother, and Wewoka. The revenues will be used for the general operation, maintenance, repair, and purchase of equipment and training. The revenues will be divided equally between each department. This tax will have a five year limit beginning January 1, 2007.

**OTHER SUPPLEMENTARY INFORMATION**

**SEMINOLE 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, 2008**

	General Fund		
	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 727,550	\$ 727,550	\$ -
Less: Prior Year Outstanding Warrants	(135,594)	(135,594)	-
Less: Prior Year Encumbrances	(22,747)	(21,593)	1,154
Beginning Cash Balances, Budgetary Basis	<u>569,209</u>	<u>570,363</u>	<u>1,154</u>
Receipts:			
Ad Valorem Taxes	1,048,900	1,200,318	151,418
Charges for Services	337,784	446,658	108,874
Intergovernmental Revenues	402,785	379,453	(23,332)
Miscellaneous Revenues	191,486	317,443	125,957
Total Receipts, Budgetary Basis	<u>1,980,955</u>	<u>2,343,872</u>	<u>362,917</u>
Expenditures:			
District Attorney	3,500	3,417	83
County Sheriff	406,256	402,019	4,237
County Treasurer	120,398	119,203	1,195
County Commissioners	9,081	6,818	2,263
OSU Extension	21,028	20,054	974
County Clerk	174,051	173,479	572
Court Clerk	382,612	281,054	101,558
County Assessor	128,467	125,599	2,868
Revaluation of Real Property	361,578	281,988	79,590
General Government	378,682	291,280	87,402
Excise-Equalization Board	4,500	3,157	1,343
County Election Board	55,875	55,874	1
Insurance	415,000	394,299	20,701
Civil Defense	10,000	2,500	7,500
County Audit Budget Account	11,052	11,052	-
County Cemetery Account	55,530	35,076	20,454
Free Fair Budget	12,554	12,553	1
Total Expenditures, Budgetary Basis	<u>2,550,164</u>	<u>2,219,422</u>	<u>330,742</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	694,813	<u>\$ 694,813</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		70,477	
Add: Current Year Outstanding Warrants		210,970	
Ending Cash Balance		<u>\$ 976,260</u>	

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

**SEMINOLE COUNTY, OKLAHOMA  
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND  
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—  
COUNTY HEALTH DEPARTMENT FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	County Health Department Fund		
	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 404,496	\$ 404,496	\$ -
Less: Prior Year Outstanding Warrants	(7,415)	(7,415)	-
Less: Prior Year Encumbrances	(179,750)	(177,908)	1,842
Beginning Cash Balances, Budgetary Basis	<u>217,331</u>	<u>219,173</u>	<u>1,842</u>
Receipts:			
Ad Valorem Taxes	262,225	298,281	36,056
Charges for Services	-	5,707	5,707
Intergovernmental	32,612	1,798	(30,814)
Miscellaneous Revenues	-	6,110	6,110
Total Receipts, Budgetary Basis	<u>294,837</u>	<u>311,896</u>	<u>17,059</u>
Expenditures:			
Health and Welfare	<u>512,168</u>	<u>361,480</u>	<u>150,688</u>
Total Expenditures, Budgetary Basis	<u>512,168</u>	<u>361,480</u>	<u>150,688</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	169,589	<u>\$ 169,589</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		4,884	
Add: Current Year Outstanding Warrants		<u>7,702</u>	
Ending Cash Balance		<u>\$ 182,175</u>	

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

**SEMINOLE COUNTY, OKLAHOMA  
NOTE TO OTHER SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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**Budgetary Schedules**

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

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

See independent auditor's report.

**SEMINOLE COUNTY, OKLAHOMA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
Passed Through Oklahoma State Department of Commerce:			
Community Development Block Grants/States Program and Non-Entitlement Grants in Hawaii	14.228		\$ 96,507
Total U.S. Department of Housing and Urban Development			96,507
 <b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>			
Passed Through Oklahoma Department of Emergency Management:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		469,639
Total U.S. Department of Homeland Security			469,639
 <b>Total Expenditures of Federal Awards</b>			\$ 566,146

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

**SEMINOLE COUNTY, OKLAHOMA  
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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Basis of Presentation

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

See independent auditor's report.

**INTERNAL CONTROL AND COMPLIANCE SECTION**



# Oklahoma State Auditor & Inspector

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

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

TO THE OFFICERS OF  
SEMINOLE COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Seminole County, Oklahoma, as of and for the year ended June 30, 2008, which comprises Seminole County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated November 29, 2012. Our report on the basic financial statement was adverse because the statement is not a presentation in conformity with accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Seminole 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 Seminole 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 a deficiency that we consider to be a significant deficiency.

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. 2008-2, 2008-3, 2008-4, 2008-8, 2008-9, and 2008-15.

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. 2008-1, 2008-7, 2008-10

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Seminole County's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

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

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



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

November 29, 2012



# Oklahoma State Auditor & Inspector

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

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

TO THE OFFICERS OF  
SEMINOLE COUNTY, OKLAHOMA

### Compliance

We have audited the compliance of Seminole 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 Seminole County's major federal program for the year ended June 30, 2008. Seminole County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of Seminole County's management. Our responsibility is to express an opinion on Seminole 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 Seminole 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 Seminole County's compliance with those requirements.

As described in items 2008-17, 2008-18, 2008-19, and 2008-20, in the accompanying schedule of findings and questioned costs, Seminole County did not comply with requirements regarding Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Matching, Level of Effort, Earmarking; Period of Availability of Federal Funds; and Procurement and Suspension and Debarment that are applicable to its Disaster Grants – Public Assistance (Presidentially Declared Disasters) program. Compliance with such requirements is necessary, in our opinion, for Seminole County to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the County, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2008.

## Internal Control Over Compliance

Management of Seminole 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 Seminole 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 Seminole County's internal control over compliance.

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2008-16 and 2008-21 to be material weaknesses.

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

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



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

November 29, 2012

**SEMINOLE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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**SECTION 1—Summary of Auditor’s Results**

Financial Statements

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

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?..... 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: ..... Qualified

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

Identification of Major Programs

CFDA Number(s)  
97.036

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

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

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

**SEMINOLE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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**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 2008-1—Disaster Recovery Plan**

**Condition:** The County Clerk and County Treasurer do not have a Disaster Recovery Plan that addresses how critical information and systems would be restored in the event of a disaster.

**Cause of Condition:** Procedures have not been designed to develop and implement a Disaster Recovery Plan.

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

**Recommendation:** OSAI recommends the County develop a Disaster Recovery Plan that has a procedure addressing how critical information and or systems would be restored in the event of a disaster.

**Management Response:** The County Clerk and County Treasurer made copies of the County Assessor's Disaster Recovery Plan and are in the process of tailoring the plan to their offices.

**Criteria:** CobiT 4.1 DS4.1 states the following:

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

In addition, CobiT 4.1 DS4.2 states:

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

**SEMINOLE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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**Finding 2008-2—Internal Controls over Information Technology**

**Condition:** The computers in the County Treasurer's, County Assessor's, and County Clerk's office do not automatically log off after periods of inactivity and employees do not log off or lock their systems when they are away from their desk.

**Cause of Condition:** Procedures have not been designed to secure computers during times of inactivity or absence.

**Effect of Condition:** Without adequate procedures in place to safeguard data from unauthorized modification, loss or disclosure, security for the computer, computer programs, and data could be compromised.

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

**Management Response:** The County Assessor agrees with the finding and is willing to try to correct this issue.

**County Clerk** – This has been corrected; computers now log off after periods of inactivity.

**County Treasurer** – I have implemented policies that each employee must log out of their computer when not in use and will contact Keller to get the system changed to automatically log out after periods of inactivity.

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

**Finding 2008-3—County-Wide Controls**

**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.

**SEMINOLE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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

Examples of risks and procedures to address risk management:

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

Examples of activities and procedures to address monitoring:

<b>Monitoring</b>	<b>Procedures</b>
Communication between officers	Periodic meetings to address items that should be included in the handbook and to determine if the County is meeting its goals and objectives.
Annual Financial Statement	Review the financial statement of the County for accuracy and completeness.
Schedule of Expenditures of Federal Awards (SEFA)	Review the SEFA of the County for accuracy and to determine all federal awards are presented.
Audit findings	Determine audit findings are corrected.
Financial status	Periodically review budgeted amounts to actual amounts and resolve unexplained variances.
Policies and procedures	Ensure employees understand expectations in meeting the goals of the County.
Following up on complaints	Determine source of complaint and course of action for resolution.
Estimate of needs	Work together to ensure this financial document is accurate and complete.

**Management Response:** The County concurs with the recommendation and continually strives for new ways to stay in compliance.

**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.

**SEMINOLE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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

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

**Finding 2008-4—Segregation of Duties—County Treasurer’s Office**

**Condition:** There is not an adequate segregation of duties within the Treasurer’s Office. All of the County Treasurer’s deputies receive money and issue receipts, open mail, and issue receipts for payments. Furthermore, they all work from one cash drawer.

The First Deputy performs the following duties:

- prepares the monthly report
- posts special and monthly apportionments to the general ledger
- prepares monthly apportionments
- reconciles apportionments with the general ledger
- prepares official depository deposit
- makes the deposit with the bank
- issues official depository vouchers
- posts all deposits and vouchers to the official depository ledger

**Cause of Condition:** Procedures have not been designed to adequately segregate the duties in the County Treasurer’s Office.

**Effect of Condition:** A single person having responsibility for more than one area of recording, authorizing, custody of assets, and execution of transactions could result in unrecorded transactions, misstated financial reports, undetected errors, and misappropriation of funds.

**Recommendation:** OSAI recommends that management be aware of these conditions and realize that concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective controls lie in management’s overseeing of office operations and a periodic review of operations. OSAI recommends management provide segregation of duties so that no one employee is able to perform all accounting functions. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the

**SEMINOLE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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risk involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office, and having management review and approval of accounting functions.

**Management Response:** During and after the First Deputy's duties, I, Lisa Turpin (Treasurer) verify her work on the monthly reports, apportionments, auditor's report, postings to budget, and I look at the General Ledger daily. We agree with the recommendation on segregation, but due to limited personnel, it is hard to do.

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

**Finding 2008-8—Segregation of Duties—Purchasing**

**Condition:** There is not an adequate segregation of duties regarding the expenditures process. The Purchasing Agent maintains the appropriation ledgers, encumbers purchase orders, verifies purchase orders/claims for accuracy, issues warrants and cash vouchers, maintains warrant registers, and distributes warrants and vouchers to vendors.

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

**Effect of Condition:** A single person having responsibility for more than one area of recording, authorizing, custody of assets, and execution of transactions could result in unrecorded transactions, misstated financial reports, undetected errors, and misappropriation of funds.

**Recommendation:** OSAI recommends that management be aware of these conditions and realize that concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective controls lie in management's overseeing of office operations and a periodic review of operations. OSAI recommends management provide segregation of duties so that no one employee is able to perform all accounting functions. 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:** Cross-training of deputies has been implemented. We concur with the recommendation and will try to improve procedures.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designed to analyze and check accuracy, completeness, and authorization of

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purchasing calculations, and/or transactions. To help ensure a proper accounting of funds, the duties of processing, authorizing, and purchasing distribution should be segregated.

**Finding 2008-9—Segregation of Duties—Payroll**

**Condition:** There is not an adequate segregation of duties regarding the payroll process. The Payroll Clerk performs the following duties regarding the payroll process:

- prepares payroll
- reviews payroll verification reports
- distributes payroll warrants
- enrolls new employees
- maintains personnel files
- prepares OPERS reports, W-2 forms, 941 forms, and OESC unemployment forms

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

**Effect of Condition:** A single person having responsibility for more than one area of recording, authorizing, custody of assets, and execution of transactions could result in unrecorded transactions, misstated financial reports, undetected errors, and misappropriation of funds.

**Recommendation:** OSAI recommends that management be aware of these conditions and realize that concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective controls lie in management's overseeing of office operations and a periodic review of operations. OSAI recommends management provide segregation of duties so that no one employee is able to perform all accounting functions. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risk involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office, and having management review and approval of accounting functions.

**Management Response:** Cross-training of deputies has been implemented. We concur with the recommendation and will try to improve procedures.

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

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**Finding 2008-15—Expenditures Test**

**Condition:** Of the 13 expenditures tested, the following exceptions were noted:

- Six (6) expenditures tested were not timely encumbered.

<u>PO#</u>	<u>Warrant#</u>	<u>Fund</u>	<u>Date</u>	<u>Amount</u>	<u>Purpose</u>
<u>District 2</u>					
200	23	sales tax	7/12/07	\$5,442.00	fuel
<u>Assessor</u>					
2662	909	salary	1/7/08	\$18,375.00	maint contract
<u>Highway</u>					
2848	1360	matching	1/17/08	\$72,942.39	relocation

<u>PO#</u>	<u>Warrant#</u>	<u>Fund</u>	<u>Date</u>	<u>Amount</u>	<u>Purpose</u>
<u>BIA-Road Project</u>					
4066	2	BIA/M&O	4/14/08	\$201,500.73	contract
4461	3	BIA/M&O	5/7/08	\$534,835.34	contract
4811	4	BIA/M&O	6/4/08	\$442,585.45	contract

- One (1) purchase order could not be located.

<u>District 2</u>					
4788	322	sales tax	8/13/07	\$7,500.00	trailer

**Cause of Condition:** Procedures designed by state statutes have not been adequately implemented.

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

**Recommendation:** OSAI recommends that the County strictly adhere to state purchasing laws.

**Management Response:** We acknowledge this finding and will continue to try to segregate these duties to the best of our abilities within the constraints of our budget. Further, the Seminole County Clerk's Office instructs County Officers, as well as each requisitioning and receiving officer of the importance of following the same purchasing procedures that we are bound by. From this point forward, we will enforce the purchasing guidelines and continue to stamp each purchase that does not meet guidelines with an "Improper Purchasing Procedure" or "Not Timely Encumbered" stamp to show that we do not approve of the expenditure. Also, from this point forward, the County Clerk's Office will require supporting documentation be attached for all purchase orders.

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**Criteria:** Title 19 O.S. § 1505 prescribes the procedures for requisition, purchase and receipt of supplies, material and equipment.

**Finding 2008-7—Sheriff Credit Card Expenditures**

**Condition:** During fraud risk interviews, it was brought to OSAI attention that the County Sheriff had a credit card and improper expenditures may have been made. OSAI tested all credit card purchases made by the County Sheriff. Of the 20 expenditures related to the card, the following exceptions were noted:

- Eight (8) expenditures were not timely encumbered.
- Eight (8) expenditures did not have invoices or itemized invoices to support purchase orders.
- Eleven (11) expenditures were improper.

**Cause of Condition:** Procedures have not been implemented to ensure compliance with laws and regulations.

**Effect of Condition:** This condition resulted in the violation of laws and regulations and inaccurate financial reports.

**Recommendation:** OSAI recommends that all credit card expenditures be made in accordance with 19 O.S. § 1506.

**Management Response:** Shannon Smith stated that the Sheriff's Office no longer has a sheriff credit card. And that in the future, if a credit card is needed, they will follow all guidance and also contact our office before getting a credit card.

**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 also serves as the first line of defense in safeguarding assets and preventing and detecting errors and fraud. Failure to encumber prior to expenditure being made and providing proper supporting documentation are deficiencies in internal controls.

Title 19 O.S. § 1506 states in part:

A. Subject to the limitations and procedures provided by this section, any sheriff or deputy sheriff may purchase materials, supplies or services necessary for travel out of the county by use of one or more credit cards issued to the county for use by the sheriff's department. Purchases made with such credit cards shall be limited to actual expenses for travel out of the county by the county sheriff or deputies to perform their official duties; provided, such credit cards may be used for the purchase of fuel, within the county, on weekends, nights or holidays when fuel cannot be obtained from the vendor to whom a bid for such fuel purchase has been awarded.

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"Actual expenses for travel" shall mean expenses for travel by public or private railroads, airplanes, buses, rental cars or other public or private conveyances, fuel, oil, meals, lodging, parking fees and telephone expenses.

C. For each card issued to the county by an issuer, the county shall encumber sufficient funds each month to pay for the estimated charges made with such cards including any annual or other fee owed for use of the cards. The funds for payment of credit card charges shall be made from the annual county appropriation to the sheriff's department. Payment of the bill for charges incurred on any card shall be made in a timely manner so that no interest charges or penalties accrue and so that the total payment amount corresponds to the balance of charges for purchases in addition to any applicable annual fee or service charge.

D. All receipts for charges made by use of any card issued to a county shall be returned to the county commissioners in order to facilitate accurate records of total monthly expenditures for which the county will be obligated.

E. On or before the 25th day of each month, the sheriff shall notify the board of county commissioners of the anticipated credit card expenditures for the following month. When credit purchases are made, the sheriff or deputy sheriff shall immediately and accurately document said expenditures on a form prepared by the State Auditor and Inspector, attaching receipts and a written explanation of each expenditure as to the date, case number or other identification number, area or location, reason for expenditure and amount expended. A copy of the form shall be submitted to the sheriff for approval and the original form shall be attached to the purchase order and shall be submitted to the board of county commissioners for final approval and payment. A copy of the form shall be retained for the sheriff's records.

**Finding 2008-10—Bank Account not on General Ledger - Sheriff**

**Condition:** Confirmations were sent to banks requesting accounts and balances of accounts using Seminole County's federal ID number. We noted that the following account was not on the County Treasurer's General Ledger:

- First National Bank of Wewoka, Account-Seminole County Sheriff's Explorers.

**Cause of Condition:** Procedures have not been designed to ensure compliance with laws and regulations.

**Effect of Condition:** This condition could result in unrecorded transactions and misappropriation of funds.

**Recommendation:** OSAI recommends that all monies collected by virtue or under color of office shall be deposited with the County Treasurer.

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**Management Response:** I will close account and move explorer monies to Treasurer's General Ledger.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, all funds collected should be deposited with the County Treasurer and maintained on the general ledger.

19 O.S. § 682 states:

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

**SECTION 3—Findings related to the 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 2008-16—Lack of Internal Controls over Major Programs – FEMA**

**PASS-THROUGH GRANTOR:** Oklahoma Department of Emergency Management

**FEDERAL AGENCY:** United States Department of Homeland Security

**CFDA NO:** 97.036

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

**FEDERAL AWARD NUMBER:** 1707, 1712, 1718, 1723, and 1754

**FEDERAL AWARD YEAR:** 2008

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

**QUESTIONED COSTS:** \$-0-

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

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

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

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

**Management Response:** These findings were during prior administration. Procedures have now been put in place to ensure that FEMA expenditures are properly documented. A separate account has now been set up solely for FEMA to better keep track of FEMA activity.

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

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

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

**Finding 2008-17—Lack of Supporting Documentation – FEMA**

**PASS-THROUGH GRANTOR:** Oklahoma Department of Emergency Management

**FEDERAL AGENCY:** United States Department of Homeland Security

**CFDA NO:** 97.036

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

**FEDERAL AWARD NUMBER:** 1707, 1718, and 1754

**FEDERAL AWARD YEAR:** 2008

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

**QUESTIONED COSTS:** \$6,717.00

**Condition:** The following were noted regarding supporting documentation:

Project worksheet #145 – District 2

- Supporting documentation for this project worksheet could not be located – project cost \$2,922.00.

Project worksheet #18 – District 3

- Supporting documentation for this project worksheet could not be located – project cost \$3,783.00.

Project worksheet #23 – District 3

- Reimbursement for work performed was received before the project was finished.
- Materials that were charged to this project worksheet were not properly supported. No receipts or receiving and/or transfer documents could be located for materials totaling \$12.00.

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

**Effect of Condition:** This condition could result in the County having incomplete and inaccurate records, inappropriate expenditures, or loss of federal funds.

**Recommendation:** OSAI recommends that the County perform and maintain all documentation to support work performed for each project worksheet. OSAI further recommends that the County maintain supporting documentation for all materials indicated in the scope of work and charged to the project worksheet. The County should complete a project before the reimbursement for the project is received.

**Management Response:** These findings were during prior administration. Procedures have now been put in place to ensure that FEMA expenditures are properly documented.

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

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

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

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

**Finding 2008-18—Scope of Work not Met – FEMA**

**PASS-THROUGH GRANTOR:** Oklahoma Department of Emergency Management

**FEDERAL AGENCY:** United States Department of Homeland Security

**CFDA NO:** 97.036

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

**FEDERAL AWARD NUMBER:** 1718 and 1723

**FEDERAL AWARD YEAR:** 2008

**CONTROL CATEGORY:** Activities Allowed/Unallowed and Allowable Costs/Cost Principles

**QUESTIONED COSTS:** \$13,361.59

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

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**Project worksheet #18 – District 1**

Material	Scope	Actual	Variance	Cost/ Unit	Variance	Federal Share
48x40 tinhorn	1	0	-1	\$2,480.00	\$2,480.00	\$1,860.00
Hazard Mitigation	1	0	-1	\$208.50	\$208.50	\$156.38
<b>Total</b>					\$2,688.50	<b>\$2,016.38</b>

**Project worksheet #2 – District 3**

Material	Scope	Actual	Variance	Cost/ Unit	Variance	Federal Share
Fill	363 cy	56.2 cy	-306.8 cy	\$6.00	\$1,840.66	\$1,380.49
Gravel	44 cy	38.4 cy	-5.6 cy	\$13.00	\$72.80	\$54.60
<b>Total</b>	407 cy	94.60 cy	-312.40 cy		\$1,913.46	<b>\$1,435.09</b>

**Project worksheet #21 – District 3**

Material	Scope	Actual	Variance	Cost/ Unit	Variance	Federal Share
Fill	1,926 cy	636 cy	-1,290 cy	\$6.00	\$7,740.00	\$5,805.00
Rip rap	192 cy	0 cy	192 cy	\$16.00	\$3,072.00	\$2,304.00
Rip rap fabric	289 sheets	0 sheets	289 sheets	\$1.50	\$433.50	\$325.12
<b>Total</b>					\$11,245.50	<b>\$8,434.12</b>

**Project worksheet #29 - District 3**

- The County did not complete the scope of work indicated on the project worksheet (\$1,476.00).

**Cause of Condition:** Procedures have not been designed to ensure compliance with laws or regulations.

**Effect of Condition:** This condition could result in the County having incomplete and inaccurate records, inappropriate expenditures, or loss of federal funds.

**Recommendation:** OSAI recommends that the County adhere to the program objectives for every project worksheet. The program objectives are outlined in the scope of work and contain details such as work to be performed and materials to be used.

**Management Response:** These findings were during prior administration. Procedures have now been put in place to ensure that FEMA expenditures are properly documented.

**Criteria:** Allowable costs are required to be adequately documented in accordance with OMB Circular A-87, "Cost Principles for State, Local, and Tribal Governments." Aspects of adequate documentation included performing and maintaining all documentation to support compliance with the scope of work outlined on each Project Worksheet.

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The Circular A-133 Compliance Supplement states:

- (2) To be allowable under Federal awards, costs must meet the following general criteria (A-87, Attachment A, paragraph C.1):
- (d) Conform to any limitations or exclusions set forth in these principles, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items.
  - (e) Be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit.

**Finding 2008-19—Supporting Documentation - FEMA**

**PASS-THROUGH GRANTOR:** Oklahoma Department of Emergency Management

**FEDERAL AGENCY:** United States Department of Homeland Security

**CFDA NO:** 97.036

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

**FEDERAL AWARD NUMBER:** 1754

**FEDERAL AWARD YEAR:** 2008

**CONTROL CATEGORY:** Activities Allowed/Unallowed and Allowable Costs/Cost Principles

**QUESTIONED COSTS:** \$4,845.96

**Condition:** The following exceptions were noted:

**Project worksheet #57 – District 3**

- The labor hours charged on the daily activity report did not agree to the employees' timesheets.

<b>Date</b>	<b>Hours Charged</b>	<b>Hours Worked</b>	<b>Variance</b>	<b>Rate per Hour</b>	<b>Amount Overcharged</b>
3/27/08	10	1.5	8.5	\$10.96	\$93.16
3/31/08	10	0	10	\$10.96	\$109.60
3/31/08	10	0	10	\$10.96	\$109.60
3/31/08	5	0	5	\$10.96	\$54.80
3/31/08	5	0	5	\$10.96	\$54.80
4/28/08	10	0	10	\$10.96	\$109.60
4/28/08	10	0	10	\$10.96	\$109.60
4/29/08	10	0	10	\$10.96	\$109.60
4/29/08	10	0	10	\$10.96	\$109.60
4/30/08	10	0	10	\$10.96	\$109.60
<b>Total</b>					<b>\$969.96</b>

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- Incorrect equipment rates were used on the daily activity reports.

Date	Equipment	Hours Used	Rate Charged	FEMA Rate	Rate Variance	Amount Overcharged
3/25/08	Truck (code 8702)	6	\$35.00	\$26.50	\$(8.50)	\$51.00
3/26/08	Truck (code 8793)	4	\$56.00	\$44.50	\$(11.50)	\$46.00
3/27/08	Truck (code 8702)	10	\$35.00	\$26.50	\$(8.50)	\$85.00
3/31/08	Truck (code 8702)	10	\$35.00	\$26.50	\$(8.50)	\$85.00
<b>Total</b>						<b>\$267.00</b>

- Materials charged on the daily activity reports were not properly supported.

Material	Price
Interlocking metal	\$3,603.00
Clay	\$6.00
<b>Total</b>	<b>\$3,609.00</b>

**Cause of Condition:** Procedures have not been designed to ensure compliance with laws or regulations.

**Effect of Condition:** This condition could result in the County having incomplete and inaccurate records, inappropriate expenditures, or loss of federal funds.

**Recommendation:** OSAI recommends that the County verify that any labor hours charged to a project worksheet agrees to the employee’s timesheets, equipment rates used agree to the Schedule of Equipment Rates published by FEMA, and supporting documentation be maintained for all materials used.

**Management Response:** These findings were during prior administration. Procedures have now been put in place to ensure that FEMA expenditures are properly documented.

**Criteria:** Allowable costs are required to be adequately documented in accordance with OMB Circular A-87, “Cost Principles for State, Local, and Tribal Governments.”

The Circular A-133 Compliance Supplement states:

- (2) Direct costs chargeable to Federal awards (A-87 Attachment A, paragraph E.2):
  - (a) Compensation of employees for the time devoted and identified specifically to the performance of those awards.
  - (b) Cost of materials acquired, consumed, or expended specifically for the purpose of those awards.
  - (c) Equipment and other approved capital expenditures.

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**Finding 2008-20—Lack of Documentation - Administration Fees**

**PASS-THROUGH GRANTOR:** Oklahoma Department of Emergency Management

**FEDERAL AGENCY:** United States Department of Homeland Security

**CFDA NO:** 97.036

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

**FEDERAL AWARD NUMBER:** 1678, 1707, 1712, 1718, 1723, and 1754

**FEDERAL AWARD YEAR:** 2008

**CONTROL CATEGORY:** Activities Allowed/Unallowed and Allowable Costs/Cost Principles

**QUESTIONED COSTS:** \$37,823.46

**Condition:** The County could not provide documentation to support administrative costs in the amount of \$37,823.46.

**Cause of Condition:** Procedures have not been designed to ensure compliance with laws or regulations.

**Effect of Condition:** This condition resulted in the noncompliance with grant requirements.

**Recommendation:** OSAI recommends the County maintain documentation for the administration of the administrative allowance. Documentation of time spent on the administration of the grant should be performed and maintained on timesheets and summaries and furnish details such as time spent identifying and assessing damage, attending meetings and briefings, and completing necessary forms for audit of the program.

**Management Response:** These findings were during prior administration. Procedures have now been put in place to ensure that FEMA expenditures are properly documented.

**Criteria:** Circular A-133 § \_\_\_\_,300 (b) states that the auditee shall:

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

An important aspect of effective internal controls is maintaining supporting documentation for grants, such as timesheets and summaries for work performed to administer federal funds.

**Finding 2008-21—County-Wide Controls over Major Programs**

**PASS-THROUGH GRANTOR:** Oklahoma Department of Emergency Management

**FEDERAL AGENCY:** United States Department of Homeland Security

**CFDA NO:** 97.036

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

**FEDERAL AWARD NUMBER:** 1678, 1707, 1712, 1718, 1723, and 1754

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**FEDERAL AWARD YEAR:** 2008

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

**QUESTIONED COSTS:** \$-0-

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

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

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

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

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

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

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

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

**Management Response:** The County concurs with the recommendation and continually strives for new ways to stay in compliance.

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

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

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 2008-5—Sheriff Auction Discrepancies**

**Condition:** While reviewing an auction listing of items sold by the County Sheriff on March 15, 2008, the following was noted:

- A variance of \$400.00 was noted from the auction listing of amounts received to the actual amounts receipted.
- A Ford Taurus was sold for \$410.00 that was not included on the auction listing of items sold and was not on the County's inventory records.
- Inventory cards for the items sold could not be located

**Cause of Condition:** Records not maintained.

**Effect of Condition:** This condition could result in a violation of law or regulation, loss of revenue, inaccurate records or incomplete information, and misappropriation of assets.

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**Recommendation:** OSAI recommends that all amounts received by the Sheriff's Office be receipted and deposited. Further, OSAI recommends that an inventory be maintained of all working tools, apparatus, machinery, and equipment belonging to the County.

**Management Response:** Seminole County Sheriff Shannon Smith stated he knew that there were some discrepancies in the auction information. He stated that this was before he took office, but is still not right that prior administration handled it this way. When the County has an auction, he will post information in the minutes, complete inventory cards, publish information in the newspaper, and keep all documentation on hand for the auditors.

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

Title 19 O.S. § 682 states:

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

Title 19 O.S. § 178.1 states in part:

The board of county commissioners in each county of this state shall take, or cause to be taken, an inventory of all working tools, apparatus, machinery and equipment belonging to the county or leased or otherwise let to...and the disposition thereof whether sold, exchanged, leased, or let where authorized by statute, junked, strayed or stolen, and biennially thereafter...

### **Finding 2008-11—Inmate Trust and Commissary Accounts**

**Condition:** As part of our financial statement audit, we tested receipts, deposits, and commissary transactions in the Sheriff's Department for the Inmate Trust and Commissary. The following exceptions were noted:

#### **Inmate Trust**

- Reconciliation of the Inmate Trust Fund ledgers to the bank statement is not being performed.
- Inmate trust fund ledgers are not maintained to reflect inmate's funds individually.
- Inmate trust disbursements do not always have two authorized signatures.
- Receipts were not always issued for monies received.
- Inmate Trust Fund receipts do not always indicate mode of payment such as cash or check.
- The Sheriff does not make daily deposits.

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**Sheriff Commissary**

- The Sheriff's Office does not file an annual report for the Commissary fund with the Board of County Commissioners by January 15 of each year.

**Cause of Condition:** Procedures have not been designed to ensure compliance with laws and regulations.

**Effect of Condition:** This condition could result in a violation of law and regulation, errors and improprieties, unrecorded transactions or a misappropriation of assets.

**Recommendation:** OSAI recommends that the Sheriff maintain Inmate Trust fund monies in a manner that reflects each inmate's trust deposits, disbursements, and account balances. The inmate's trust fund balances should be reconciled to the bank statements each month, collection of inmate monies should be deposited daily, and no operating expenditures should be made from this fund. All checks from the Inmate Trust Fund should be signed and have two authorized signatures. Further, for the Sheriff Commissary, an annual report shall be filed with the board of County Commissioners by January 15, of each year.

**Management Response:** Mr. Smith stated he agrees with all comments noted above. Mr. Smith said that he and his staff have already started making corrections noted above. They have a new jail currently under construction that will have a machine that when inmates are booked in, they will enter their money in the machine and it will assign them a book-in number and issue them a receipt. Once this happens, their name, amount of money, and other personal information will be added to the Sheriff's computer system automatically. If any person bringing money to the jail to be added to an inmate's account, they will go to the machine look up the inmate's name they want to add money to their account put money in and it will automatically add to that account and print them out a receipt. Money will only be accepted during operating hours.

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

Title 19 O.S. § 180.43 requires the County Sheriff to file an annual report of the commissary account with the Board of County Commissioners no later than January 15<sup>th</sup> of each year.

**Finding 2008-13—Segregation of Duties-Court Clerk**

**Condition:** We noted the following concerns in regards to recording, authorization, custody, and execution of revenue transactions:

- There are six full-time employees in the Court Clerk's Office, including the Court Clerk. All employees work out of one cash drawer.

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- There are two employees in the fine and cost office. Both employees have their own cash drawer, but both work from the same change drawer (for making change for cash receipts). One employee also performs the duties of reconciling her cash drawer and the change drawer to the receipts, preparing the deposit ticket, and physically taking the deposit to the Treasurer's office.

We noted the following concerns in regards to recording, authorization, custody, and execution of expenditure transactions:

- **Revolving Fund:**  
The Court Clerk performs the duties of preparing the claim. However, the Court Clerk is also maintaining the Revolving Fund ledger and reconciling the account with the Treasurer.
- **Court Fund:**  
The Court Clerk performs the duties of preparing vouchers and claims. However, the Court Clerk is also performing the duties of signing, mailing vouchers, maintaining the Court Fund ledger, and reconciling the account with the Treasurer.

**Cause of Condition:** Procedures have not been designed to adequately segregate the duties in the Court Clerk's Office.

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

**Recommendation:** OSAI recommends management be aware of these conditions and realize that concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective controls lie in management's overseeing of office operations and a periodic review of operations. Regarding the receipting process, OSAI recommends management establish separate cash drawers for each employee that receipts monies. The cash drawer should be closed out, reconciled to the employee's daily receipts, and be approved by someone independent of the cash drawer. Regarding the disbursement process, the duties of issuing vouchers and the delivery/disbursement of vouchers should be separated.

**Management Response:** The duties are segregated as well as possible with the limited personnel in the office. We have made some changes since this time period and have further segregated some of these duties. We will continue to segregate duties as well as we can.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. 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.

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**Finding 2008-14—Fixed Assets – Drug Dog**

**Condition:** During fraud interviews, we were informed that the County had purchased a drug dog that could not be located. It was determined that the drug dog was with a deputy who is no longer with the department. Documentation such as resolutions for disposal could not be located.

**Cause of Condition:** Procedures have not been implemented to ensure compliance with laws or regulations.

**Effect of Condition:** This condition resulted in the loss of County assets.

**Recommendation:** OSAI recommends that the Board of County Commissioners cause a biennial inventory to be taken of all working tools, apparatus, machinery, and equipment belonging to the County. Further, OSAI recommends that the disposition of inventory items be approved by the Board of County Commissioners and recorded.

**Management Response:** Sheriff Shannon Smith stated that he performed an inventory of his office and the dog could not be located. He spoke with several of his employees which informed him that the dog was with a former deputy who is no longer with the department.

**Criteria:** Title 19 O.S. § 178.1 states:

The board of county commissioners in each county of this state shall take, or cause to be taken, an inventory of all working tools, apparatus, machinery and equipment belonging to the county...and the disposition thereof whether sold, exchanged, leased, or let where authorized by statute, junked, strayed or stolen, and biennially thereafter...



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