

COUNTY AUDIT

WAGONER COUNTY

For the fiscal year ended June 30, 2007



*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

**WAGONER COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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Oklahoma State Auditor & Inspector

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February 28, 2012

TO THE CITIZENS OF
WAGONER COUNTY, OKLAHOMA

Transmitted herewith is the audit of Wagoner County, Oklahoma for the fiscal year ended June 30, 2007. 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, reading "Gary A. Jones". The signature is fluid and cursive, with the first name "Gary" being the most prominent.

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

**WAGONER COUNTY, OKLAHOMA
FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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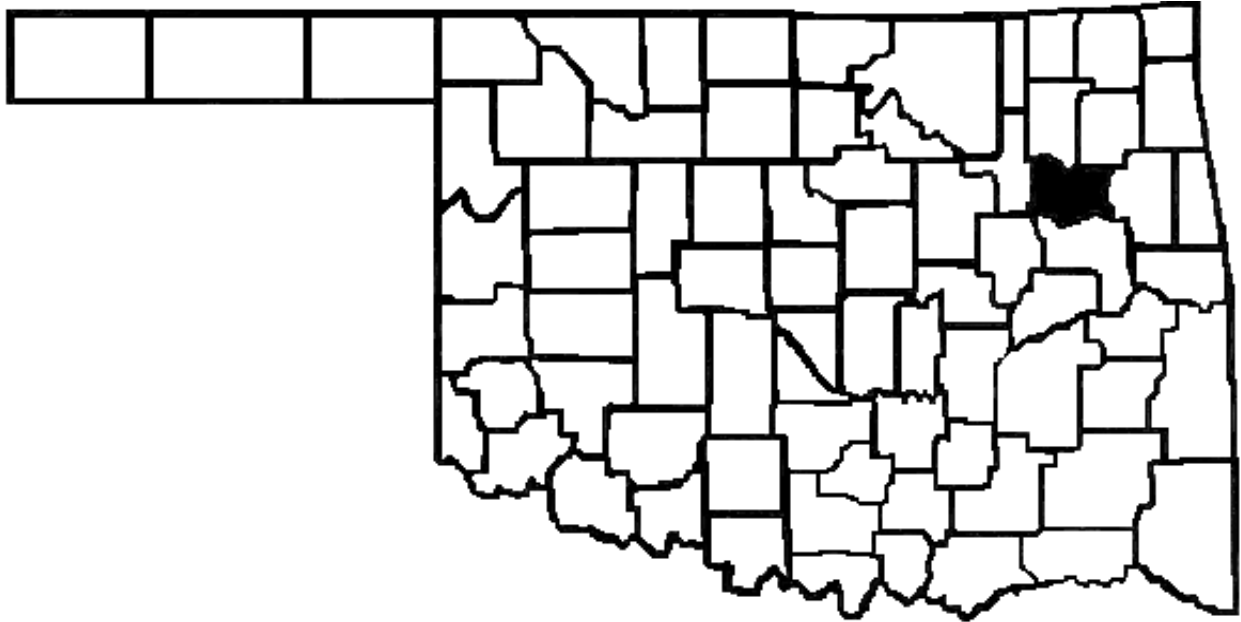
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**REPORT TO THE CITIZENS
OF
WAGONER COUNTY, OKLAHOMA**



Created at statehood, Wagoner is named for its major city which is also the county seat. The main thoroughfare of the county was the Osage Trace, which became known as the Texas Road in 1826. During the Civil War this route was heavily traveled. In 1866 the Texas Road became known as the East Shawnee Trail, one of the first cattle trails to cross the area. In the early 1870s the Missouri, Kansas, and Texas (KATY) railroad extended into the county.

While Tulsa's industrial area and the Port of Catoosa provide employment for many Wagoner County citizens, agriculture remains a basic element in the economy, with grain and cattle being of major importance.

County Seat – Wagoner

Area – 590.99 Square Miles

County Population – 64,183
(2005 est.)

Farms – 1,217

Land in Farms – 259,978 Acres

Source: Oklahoma Almanac – 2007-2008

See independent auditor's report.

**WAGONER COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

COUNTY ASSESSOR
Judie Thompson

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
Carolyn Kusler

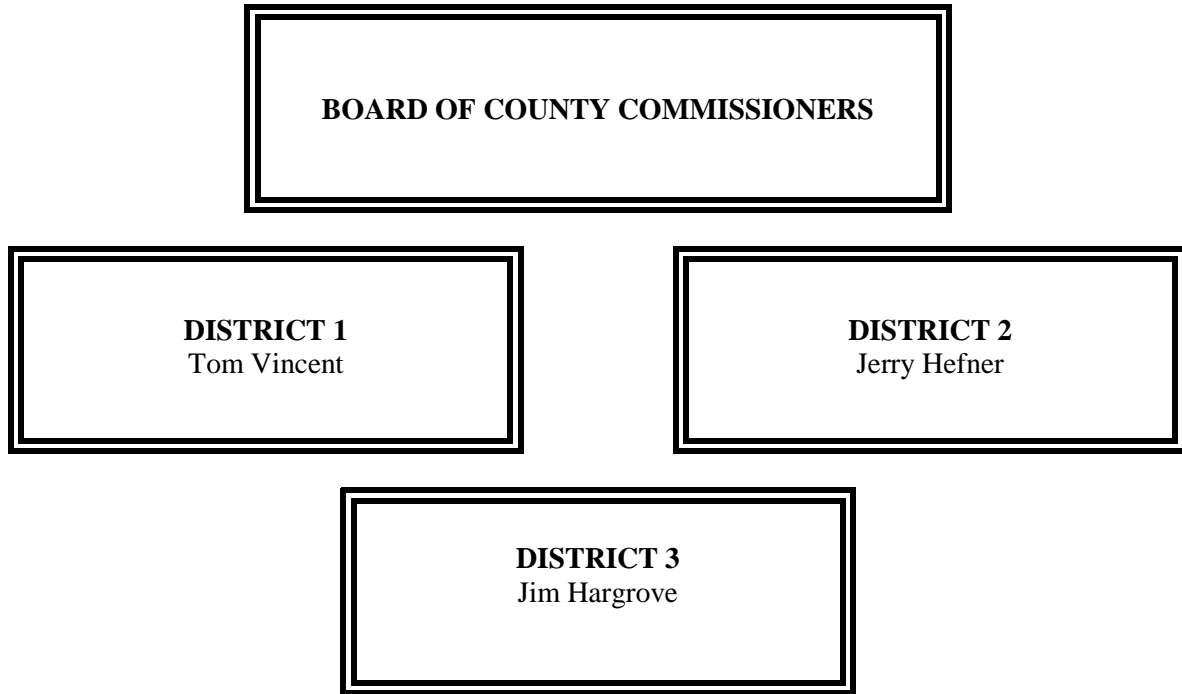
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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.

**WAGONER COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**



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.

**WAGONER COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

COUNTY SHERIFF
Johnny Cannon

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
Gloria Marshall

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.

**WAGONER COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

COURT CLERK
Sue Wells

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
Jerry Moore

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.

**WAGONER COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

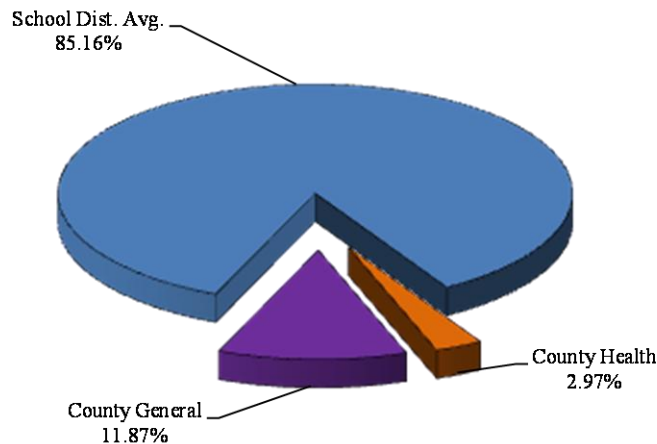
ELECTION BOARD SECRETARY Jason Rousselot
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The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots 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.

**WAGONER COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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



County-Wide Millages		School District Millages							
							Career		
County General	10.31			Gen.	Bldg.	Skg.	Tech	Common	Total
County Health	2.58	Coweta	I-17	36.19	5.17	20.37	10.14	4.13	76.00
		Okay	I-17	36.17	5.17	0.90	10.14	4.13	56.51
		Wagoner	I-19	35.79	5.11	18.53	10.14	4.13	73.70
		Porter	I-365	36.77	5.25	7.45	10.14	4.13	63.74
		Muskogee	2	36.31	5.19	18.83	10.14	4.13	74.60
		Muskogee	3	35.51	5.07	12.21	10.14	4.13	67.06
		Rogers	2	35.84	5.12	12.52	13.21	4.13	70.82
		Rogers	5	37.15	5.31	25.02	11.36	4.13	82.97
		Mayes	17	38.84	5.55	27.33	11.36	4.13	87.21
		Mayes	32	36.07	5.15	7.03	11.36	4.13	63.74
		Tulsa	1	35.55	5.16	21.68	13.21	4.13	79.73
		Tulsa	3	36.15	5.16	26.00	13.21	4.13	84.65
		Tulsa	4	36.31	5.19	21.87	13.21	4.13	80.71

See independent auditor's report.

**WAGONER COUNTY, OKLAHOMA
COMPUTATION OF LEGAL DEBT MARGIN
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)**

Total net assessed value as of January 1, 2006		<u>\$ 329,178,959</u>
Debt limit - 5% of total assessed value		16,458,948
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	<u>-</u>	<u>-</u>
Legal debt margin		<u>\$ 16,458,948</u>

See independent auditor's report.

WAGONER COUNTY, OKLAHOMA
RATIO OF NET GENERAL BONDED DEBT TO ASSESSED
VALUE AND NET BONDED DEBT PER CAPITA
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)

	<u>2007</u>
Estimated population	<u>64,183</u>
Net assessed value as of January 1, 2006	<u>\$ 329,178,959</u>
Gross bonded debt	-
Less available sinking fund cash balance	<u>-</u>
Net bonded debt	<u>\$ -</u>
Ratio of net bonded debt to assessed value	<u>0.00%</u>
Net bonded debt per capita	<u>\$ -</u>

See independent auditor's report.

**WAGONER COUNTY, OKLAHOMA
 ASSESSED VALUE OF PROPERTY
 FOR THE FISCAL YEAR ENDED JUNE 30, 2007
 (UNAUDITED)**

Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2006	\$ 49,287,447	\$ 26,918,368	\$ 269,510,328	\$ 16,537,184	\$ 329,178,959	\$ 2,939,097,848

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
WAGONER COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Wagoner County, Oklahoma, as of and for the year ended June 30, 2007, listed in the table of contents as the basic financial statement. This financial statement is the responsibility of Wagoner 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 Wagoner County as of June 30, 2007, 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 Wagoner County, for the year ended June 30, 2007, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2012, on our consideration of Wagoner 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. 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. The schedule of expenditures of federal awards has not been subjected to the auditing procedures applied in the audit of the basic financial statement because management lacks sufficient documentation to support the schedule of expenditures of federal awards for the Disaster Grants – Public Assistance (97.036), and, accordingly, we express no opinion on the schedule of expenditures of federal awards. Wagoner County has not presented the budgetary comparison information for the Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances – Budget and Actual – Budgetary Basis – General Fund and the Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances – Budget and Actual – Budgetary Basis – County Health Department Fund. Although not a part of the basic financial statement, such information is an integral part of the regulatory presentation for county government. 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, reading "Gary A. Jones". The signature is fluid and cursive, with the first name "Gary" being more prominent than the last name "Jones".

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

February 13, 2012

Basic Financial Statement

WAGONER COUNTY, OKLAHOMA
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
(WITH COMBINING INFORMATION)
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Beginning Cash Balances July 1, 2006	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2007
Combining Information:						
County General	\$ 5,873,742	\$ 9,923,769	\$ -	\$ 500	\$ 9,889,231	\$ 5,907,780
T-Highway	1,618,912	3,663,818			3,018,464	2,264,266
County Health	992,345	919,043			927,641	983,747
County Clerk's Records Preservation	222,205	99,536			114,796	206,945
Treasurer's Mortgage Certification	228,450	27,145				255,595
Local Law Enforcement Grant	61	2				63
Courthouse Renovation Sales Tax	7,441,031	2,037,744			2,318,731	7,160,044
Community Service Sentencing Program	112,074	32,583			108,132	36,525
Resale Property	331,999	201,239	2,051		203,158	332,131
Storm Shelter Rebate	2,040					2,040
Law Enforcement/Corp of Engineers	55,672	14,640			3,758	66,554
Home Detention	2,178	3,209	500		4,956	931
County Clerk Lien Fee	47,178	36,046			28,434	54,790
Sheriff Fee Cash Fund	314,346	219,446			183,202	350,590
Sheriff "Trash" Cops	1,729					1,729
Assessor Visual Inspection	16					16
Assessor Revolving	19,765	15,156			14,890	20,031
Community Sentencing - DOC	14,810	51,481				66,291
REAP Grant	28,159	55,127			35,127	48,159
Sheriff Violence Against Women Act	7,330					7,330
Sheriff Training Fund	946					946
Sheriff Drug Education	29,463					29,463
Sheriff Contract Prison	51,171	87,124			31,068	107,227
Fire District Sales Tax	362,314	660,651	13,000		524,896	511,069
Special Economic Development	736,635	1,266,356			819,016	1,183,975
Sheriff Commissary Fund	6,492	11,410			7,360	10,542
Community Development Block Grant		5,000			5,000	
Drill Instructor Cash Fund	354					354
Youth Graduation Sanction (STEP) Grant		310				310
County Commissioners Use Tax		133,007				133,007
Combined Total--All County Funds	\$ 18,501,417	\$ 19,463,842	\$ 15,551	\$ 500	\$ 18,237,860	\$ 19,742,450

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

**WAGONER COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

B. Fund Accounting

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

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

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

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

County Health – accounts for monies collected on behalf of the county health department from ad valorem taxes, state and local revenues, and miscellaneous fees charged by the health department. Disbursements are for the operation of the county health department. The balance of this fund also includes fees held many years ago to establish a change fund.

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

**WAGONER COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

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

Courthouse Renovation Sales Tax – revenues are for sales tax collected for the renovation and remodeling of the Wagoner County Services Building.

Community Service Sentencing Program – revenues are from the State Department of Corrections to reimburse the County for the expense of administering the Community Service Sentencing Program.

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

Storm Shelter Rebate – accounts for federal grant funds received for the reimbursement of storm shelter installation.

Law Enforcement/Corp of Engineers – accounts for the collections from the Corp of Engineers for the purpose of supplying additional lake patrol.

Home Detention – accounts for reimbursement from the Juvenile Bureau to the County Sheriff for the detention and supervision of juveniles.

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

Sheriff Fee Cash Fund – revenues are from fees charged by the Sheriff for services. Disbursements are for any lawful expense of the Sheriff's office.

Sheriff "Trash" Cops – accounts for grant funds received from the State of Oklahoma for the enforcement of trash and litter laws.

Assessor Visual Inspection – revenues are from fees charged to all entities receiving ad valorem taxes. Disbursements are for the re-valuation of all county property for ad valorem purposes.

Assessor Revolving – revenues are from any and all fees collected by the County Assessor. Disbursements are to maintain electronic databases and geographic information systems in the Assessor's office.

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

**WAGONER COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

REAP Grant – accounts for state grant monies collected for road/highway improvements in Wagoner County.

Sheriff Violence Against Women Act – accounts for grant money received under the Violence Against Women Act to pay VAWA deputy salary.

Sheriff Training Fund – accounts for money received by donation and used to defray the cost of attending law enforcement classes.

Sheriff Drug Education – revenue is from monies seized and forfeited to the Sheriff's office. Disbursements are for the maintenance and operation of the Sheriff's Drug Task Force.

Sheriff Contract Prison – revenues are from the Department of Corrections for the housing and care of inmates.

Fire District Sales Tax – accounts for the sales tax collections received for operating and maintaining the various fire districts.

Special Economic Development – revenues are from the monthly use tax allocations, federal grants, and state monies grants. Disbursements are for economic development within Wagoner County.

Sheriff Commissary Fund – revenues are from profits on commissary sales in the county jail. Disbursements are for jail improvements.

Community Development Block Grant – accounts for the collection and disbursement of Community Development Block Grant funds.

Drill Instructor Cash Fund – accounts for monies allocated from the general fund for juvenile rehabilitation.

Youth Graduation Sanction (STEP) Grant – revenues from grants and fees collected from juvenile offenders who participate in the program. Disbursements are for drug testing of participants of the program and administrative costs of the program.

County Commissioners Use Tax – revenues are from the monthly use tax allocations. Disbursements were at the discretion of the Board of County Commissioners for any lawful expense of the County.

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.

**WAGONER COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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 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

**WAGONER COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

- 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
- 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

Employees are entitled to vacation with pay based on length of service. Scheduling of vacation leave will be left to the discretion of each department head.

Years of Service	Vacation Leave	Accumulation Limit
0 to 1 year	5 days	0 days
2 to 10 years	10 days	0 days
11 to 19 years	15 days	0 days
20 years or more	20 days	0 days

Vacation must be earned before it is taken. No vacation leave shall be accumulated beyond the accumulation limit.

Upon separation, an employee will not be paid for the balance of accrued leave up to the accumulation limit. Accumulation of employee's length of service will be based on a 52 week year. Termination of employment will automatically cancel length of service for accumulation of vacation leave with pay.

Sick leave benefits are accrued at the rate of 8 hours per month and employees may accumulate up to 130 days. 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."

**WAGONER COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

The assessed property value as of January 1, 2006, was approximately \$329,178,959.

Per Article 10, § 8A, with the repeal of personal property tax, the millages with the adjustment factor are 10.31 mills for general fund operations and 2.58 mills for county health department. In addition, the County collects the ad valorem taxes assessed by school districts and remits the ad valorem taxes collected to the appropriate taxing units.

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

Current year tax collections for the year ended June 30, 2007, were approximately 86.49 percent of the tax levy.

3. Fuel Tax

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

4. Risk Management

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

OPEH&WP - From July 1, 2006 to August 1, 2006, the County had entered into an interlocal agreement with other governmental entities to participate in a pooled self-insurance fund to provide insurance coverage. The pool provides for surcharges to be assessed for claims in excess of pool assets to offset pool deficits. Settled claims have not exceeded insurance coverage for each of the past three fiscal years. There have been no significant reductions in coverage from the prior fiscal year. Effective August 1, 2006, the County contracted with HealthChoice.

**WAGONER COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

Funding Policy. The contribution rates for each member category are established by the Oklahoma Legislature and are based on an actuarial calculation which is performed to determine the adequacy of contribution rates. County employees are required to contribute between 3.5% and 8.5% of earned compensation. The County contributes between 7.5% and 12.5% of earned compensation. Elected officials could contribute between 4.5% and 10% of their entire compensation. The County contributes 12.5% of earned compensation for elected officials. The County's contributions to the Plan for the years ending June 30, 2007, 2006, and 2005, were \$482,557, \$398,668, and \$309,975, respectively, equal to the required contributions for each year.

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.

**WAGONER COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

8. Contingent Liabilities

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

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

9. Sales Tax

On March 8, 1988, Wagoner County voters approved a 1% sales tax to become effective on April 1, 1988. The proceeds of the tax are used as follows: 10% for general government, 10% for public safety, and 80% for roads and highways. The original duration of the tax was five years. Voters have subsequently voted to extend this tax for an additional five-year period each time it has expired. The current tax extension began on April 1, 2003, and is set to expire on March 30, 2008.

On October 12, 1999, Wagoner County voters approved a .85% sales tax designated for the improvement and expansion of the Wagoner County Courthouse, including, but not limited to, the Wagoner County Jail Facility. The effective date of this tax is January 1, 2000 through December 31, 2009.

On August 24, 2004, Wagoner County voters approved a .15% sales tax. Of the proceeds, 95% is to be used to fund the operation of the various fire districts within Wagoner County. The remaining 5% is held in escrow to be used for fire protection services as deemed necessary.

On August 22, 2006, Wagoner County voters approved to continue the levy, an excise (sales) tax of 1% upon the gross proceeds from all sales to any person taxable under the sales tax law of Oklahoma, as was originally approved by a majority of the votes of Wagoner County on March 8, 1988. The monthly income of the revenue of said tax is pledged to the County Roads in the amount of 80%, to the Sheriff's Office in an amount of 10%, and general government in the amount of 10%. The life of the tax is to be until April 1, 2018, which is 10 years after the August 19, 2002, Resolution and eliminate the .85% sales tax pursuant to the County Courthouse Renovation as of September 1, 2006; effective date January 1, 2007.

**WAGONER COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

10. Restatement Prior Year Ending Balance

Due to the reclassification of funds for fiscal year ending June 30, 2006, the ending balance as reported is different than the June 30, 2006, beginning balance. The difference is due to one fund reported as a trust and agency fund that should have been reported as a county fund resulting in an increase of \$354.

Prior Year Ending as Reported	\$ 18,501,063
Funds Reclassified as County Funds	<u>354</u>
Prior Year Ending Balance as Restated	<u>\$ 18,501,417</u>

11. Transfers

A residual equity transfer of \$2,051 was transferred from the Excess Resale Property Fund to Resale Property Fund as authorized by 68 O.S. § 3131.C. Also, the County transferred \$13,000 from Fire District Improvement Fund to the Fire District Sales Tax Fund to close out the fund. Transfers do not include the Excess Resale Property Fund and the Fire District Improvement Fund, which are not presented on the County's Combined Statement of Receipts, Disbursements, and Changes in Cash Balances.

Title 68 O.S. § 3021 allows for the temporary transfer of funds when there is insufficient money in a particular fund to meet the requirements of appropriation in the fund. The excise board, upon request of the county treasurer may temporarily transfer money from one fund to any other fund with the permission of the county officer in charge of the fund that the money will be temporarily transferred from... Any funds temporarily transferred shall be repaid to the original fund from which they were transferred within the fiscal year that the funds were transferred. In January of 2007, \$500 was transferred from the General Fund to Home Detention to cover operational costs. The Home Detention Fund failed to transfer the funds back to the General Funds prior to the end of the fiscal year.

OTHER SUPPLEMENTARY INFORMATION

**WAGONER COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. DEPARTMENT OF DEFENSE			
Passed Through Oklahoma State Treasurer:			
Flood Control Projects	12.106		\$ 38,220
Total U.S. Department of Defense			<u>38,220</u>
U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT			
Passed Through the State Department of Commerce:			
Community Development Block Grants/Entitlement Grants	14.218	10991 CDBG 98	5,000
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	11936 CDBG 05	<u>260,900</u>
Total U.S. Department of Housing & Urban Development			<u>265,900</u>
U.S. DEPARTMENT OF INTERIOR			
Direct Grant:			
Payments in Lieu of Taxes	15.226		<u>68,441</u>
Total U.S. Department of Interior			<u>68,441</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed Through the Oklahoma Department of Emergency Management:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR 1678	906,691
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR 1712	<u>33,730</u>
Total CFDA #97.036			940,421
Emergency Management Performance Grants (EMPG)	97.042		<u>9,750</u>
Total U.S. Department of Homeland Security			<u>950,171</u>
Total Expenditures of Federal Awards			<u>\$ 1,322,732</u>

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

WAGONER COUNTY, OKLAHOMA
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of Wagoner 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
WAGONER COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Wagoner County, Oklahoma, as of and for the year ended June 30, 2007, which comprises Wagoner County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated February 13, 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 Wagoner 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 the 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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting. 2007-1, 2007-2, 2007-3, 2007-4, 2007-6, 2007-8, 2007-9, 2007-10, 2007-11, 2007-13, 2007-15, 2007-21, 2007-25, 2007-26

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 2007-15, 2007-21, and 2007-26 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Wagoner County's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs as item 2007-12.

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

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

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

A handwritten signature in blue ink, appearing to read "Gary A. Jones", with a stylized flourish at the end.

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

February 13, 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

Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

TO THE OFFICERS OF
WAGONER COUNTY, OKLAHOMA

Compliance

We were engaged to audit the compliance of Wagoner 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 are applicable to its major federal program for the year ended June 30, 2007. Wagoner 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 Wagoner County's management.

As described in item 2007-24, in the accompanying schedule of findings and questioned costs, Wagoner County did not comply with relevant OMB Circular A-133 Compliance Requirements to its Disaster Grants – Public Assistance (97.036). Wagoner County did not maintain documentation to support costs charged to the program: County was unable to support the work performed with detailed documentation which should have included purchase orders, invoices, and transfer documents to verify materials used; timesheets for the labor charged to the project; and a record of equipment usage. Without the detailed supporting documentation, there was no assurance that the work had been completed or that expenditures were expended in accordance with federal compliance requirements.

We were unable to obtain sufficient documentation supporting the compliance of Wagoner County with the relevant OMB Circular A-133 Compliance Requirements for the program *Disaster Grants – Public Assistance (97.036)*, nor were we able to satisfy ourselves as to Wagoner County's compliance with those requirements by other auditing procedures. The scope of our work was not sufficient to enable us to express, and we do not express, an opinion on Wagoner County's compliance with requirements described in the OMB Circular A-133 Compliance Supplement that are applicable to its major federal program.

Internal Control Over Compliance

The management of Wagoner 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 Wagoner County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion

on compliance, 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 Wagoner County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and others that we consider to be material weaknesses.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2007-23 and 2007-24 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider items 2007-23 and 2007-24 to be material weaknesses.

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

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

A handwritten signature in blue ink, appearing to read "Gary A. Jones", with a stylized, flowing script.

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

February 13, 2012

**WAGONER COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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
- Reportable condition(s) identified that are not considered to be material weaknesses? Yes

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

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?..... Yes
- Reportable condition(s) identified that are not considered to be material weakness(es)? None reported

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

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

**WAGONER COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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 2007-1 - Backup Tapes, Disaster Recovery Plans, and Computer Usage Policies

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

- Guidelines on how to use the recovery plan;
- Emergency procedures to ensure the safety of all affected staff members;
- Roles and responsibilities of information services function, vendors providing recovery services, users of services and support administrative personnel;
- Listing of systems requiring alternatives (hardware, peripherals, software);
- Listing of highest to lowest priority applications, required recovery times and expected performance norms;
- Various recovery scenarios from minor to loss of total capability and response to each in sufficient detail for step-by-step execution;
- Specific equipment and supply needs are identified such as high speed printers, signatures, forms, communications equipment, telephones, etc. and a source and alternative source defined;
- Training and/or awareness of individual and group roles in continuity plan;
- Listing of contracted service providers;
- Logistical information on location of key resources, including back-up site for recovery operating system, applications, data files, operating manuals and program/system/user documentation;
- Current names, addresses, telephone/pager numbers of key personnel;
- Business resumption alternatives for all users for establishing alternative work locations once IT resources are available.

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

Condition: The County Clerk, County Treasurer, County Sheriff, and the Board of County Commissioners do not have written Disaster Recovery Plans. Also, the County Clerk's server is located in a high traffic area and the County Sheriff does not have an off-site location in which to maintain back-up records. Also, the County Clerk and County Treasurer do not have written policies describing appropriate use of county computer equipment or written policies detailing the duties performed on computers.

**WAGONER COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Effect: The failure to have a formal Disaster Recovery Plan could result in the County being unable to function in the event of a disaster. Storing backup tapes on site could also lead to a problem if a disaster occurred at the work place, which would destroy both the system and the backup tapes. This could also cause significant problems in ensuring county business could continue uninterrupted.

Without an IT security policy in place, the County is at risk of a loss of financial and taxpayer data as well as a risk for misappropriation of county funds.

Recommendation: OSAI recommends the County develop a current Disaster Recovery Plan which is stored offsite. The County should study and act on different proposals to ensure that backup tapes of all records in the County are stored in a safe, secure and remote location, off the premises from the courthouse, where information could be easily retrieved by authorized personnel in the event of a disaster. Management should also establish and implement a computer and internet policy that describes acceptable computer and internet usage by county employees.

Management Response:

Carolyn Kusler, Wagoner County Clerk

The County Clerk's office backs up all its records every night. For purchasing, the office does a physical back up on site plus we have contracted with our vendor to do a back up off site as well. For Land Records, our vendor backs up our data every night at an off-site location. For the Commissioners' documents, we have an external hard drive that backs up the data every night. We are in the process of contracting with a company to provide off site data backup for the Commissioners' records. In addition, we have purchased a safe in which to keep the backup tapes for Purchasing and the digital copies of the Commissioners' meetings.

As noted in the audits, our purchasing server is located in the hallway in a high traffic area. Due to space limitations in the office, I do not have a remedy for this situation. I will present the problem to the Board of Commissioners with suggestions for renovations to the office to correct the problem.

We do not have a formal written disaster recovery plan. The Board of Commissioners is scheduling a special meeting of all the elected officials to begin the process of writing a formal disaster recovery plan. While each office will have particular needs, it is felt that the plan should include every office as any disaster will impact each office.

Communications systems policies, which include facsimile systems, telephone systems, computer systems, internet systems, websites, electronic mail, voice mail and pagers, have been in effect since the 2008-09 revision of the Personnel Manual which was approved February 9, 2009. Internet usage is not particularly addressed and will be discussed at the February 27 meeting concerning the revisions to the Personnel Manual.

Dana G. Patten, Wagoner County Treasurer

The Treasurer's Office is hoping to coordinate with the other County Officers in implementing a plan for recovery. In the event of this not being possible, we have been taking steps to put into action a plan for this office only, with a location off-site where we could place at least one laptop to enable us to carry on

**WAGONER COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

with business. Currently all of our records are backed up daily in a remote location. We also will address computer usage and create a written policy to enforce this.

Finding 2007-2 – County Wide Controls

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

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

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

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

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

Recommendation: OSAI recommends that the County implement a system of internal controls to provide reasonable assurance regarding the achievement of goals and objectives.

Management Response:

Carolyn Kusler, Wagoner County Clerk

The Board of Commissioners has scheduled a presentation from a provider of risk management services for the Board meeting on February 27, 2012, who will evaluate the County to identify internal and external risks. Once a risk assessment is completed, strategies for risk management and monitoring can be put in place.

**WAGONER COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Finding 2007-3 – Reconciliations

Criteria: Effective internal controls are essential to provide reasonable assurance about the achievement of the entity's objectives with regard to reliability of financial reporting and compliance with applicable laws and regulations. An effective internal control system has in place policies and procedures that reduce the risk of errors and fraud within an organization. A key factor in this system is the reconciliation of the County Clerk's appropriation ledger to the County Treasurer's general ledger. This reconciliation would include verifying receipts apportioned, disbursements and cash balances for each fund.

Condition: Based on our documentation of controls and test work, it appears that reconciliations are not being performed between the County Clerk and the County Treasurer. We noted several instances, in our reconciliation of the County Clerk's disbursements to the County Treasurer's disbursements, where the Clerk did not post disbursements in a timely manner or often posted to the wrong account or fund.

Effect: This condition could adversely affect the entity's ability to initiate, authorize, record, process, or report financial data reliably.

Recommendation: OSAI recommends management take steps to ensure reconciliations are performed between the Clerk's Appropriation Ledger and the Treasurer's General Ledger.

Management Response:

Carolyn Kusler, Wagoner County Clerk

The County Clerk's office reconciles our accounts with the Treasurer's on a monthly basis.

Dana G. Patten, Wagoner County Treasurer

The County Treasurer and County Clerk are reconciling accounts on a weekly basis and keeping in close contact to maintain timely balances.

Finding 2007-4 – Purchasing

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

Accountability and stewardship are overall goals in evaluating management's accounting of funds. To help ensure a proper accounting of funds, all documentation supporting county expenditures, including purchase orders, invoices, etc. should be retained by the County Clerk until such time as allowed for destruction of documents.

Title 19 O.S. § 1505.C.2 states:

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

**WAGONER COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

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

Title 19 O.S. § 1505.E (2) (3) states:

Upon the delivery of an item, the receiving officer shall determine if a purchase order exists for the item being delivered. If no such purchase order has been provided the receiving officer shall refuse delivery of the item.

Title 19 O.S. § 1505.E.9 states in part:

The invoice shall state the name and address of the vendor and must be sufficiently itemized...

Title 19 O.S. § 1505.E.10 states in part:

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

Condition: The test of 31 purchase orders revealed the following exceptions:

- The invoice date and/or service date were prior to the encumbrance date in four (4) instances.
- Receiving reports were not attached for verification of the receipt of goods and services in two (2) instances.
- An itemized invoice was not attached in one (1) instance.
- A purchase order could not be located in one (1) instance.
- A purchase order did not have the Clerk's signature for the approval of payment by the Board in one (1) instance.

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

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

Management Response:

Carolyn Kusler, Wagoner County Clerk

Submitting purchase orders prior to encumbering the expenditure has been a problem for our office in spite of frequent reminders that all purchases must be encumbered and a purchase order number issued before the purchase is made. We submit all purchase orders that have been submitted after the expenditure has been made to the District Attorney's office for approval. The purchase order is not processed until the DA's approval has been obtained. This remedy has reduced the number of purchase orders submitted after the expenditures have been made (2008 audit revealed only 4 instances); however, the problem still occurs on a limited basis.

**WAGONER COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

We are diligent about following the state purchasing laws regarding the documentation required for processing purchases. Without reviewing the 31 test purchase orders, it is hard to explain the problems found. All purchasing deputies have completed the County Training program's course on Purchasing and the purchasing agent double checks all purchase orders submitted for payment prior to their being processed. The clerk reviews all purchase orders before they are sent to the Board of Commissioners for payment. We will continue to be diligent in strictly meeting the requirements of the purchasing laws.

Finding 2007-6 – General Ledger and Reconciliations

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, the County Treasurer should reconcile accounting records to bank balances on a monthly basis. Reconciliations should be reviewed and approved by someone other than the preparer.

Title 19 O.S. § 642 states in part:

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

Condition: We noted the following bank accounts were in the County's name and tax identification number, but were not on the Treasurer's General Ledger at June 30, 2007:

- First Bank & Trust Payroll Tax Account
- First Bank & Trust Employees Flex Plan
- First National Bank of Coweta Wagoner County Fair Board
- BancFirst of Coweta Account (481002XXX)

It was also noted that bank reconciliations were not performed for these accounts. Additionally, the reconciliations performed on the General Account, Official Depository Account, and the Payroll Tax Account were not reviewed and approved by someone other than the preparer.

Effect: This condition could result in misstatements or misappropriation of funds and may not be detected in a timely manner.

Recommendation: OSAI recommends management take steps to ensure all public fund accounts are maintained on the Treasurer's general ledger and reconciliations be performed monthly with a review performed by someone other than the preparer.

Management Response:

Dana G. Patten, Wagoner County Treasurer

The Treasurer will ensure all public fund accounts are recorded in the General Ledger and reconciled monthly; said reconciliation will be reviewed by someone other than the preparer.

**WAGONER COUNTY, OKLAHOMA
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Finding 2007-8 – Sales Tax

Criteria: Title 68 O.S. § 1370.E states in part:

...the proceeds of any sales tax levied by a county shall be deposited in the general revenues or sales tax revolving funds of the county and shall be used only for the purpose for which such sales tax was designated.

Condition: Controls have not been designed which would ensure sales tax is apportioned in accordance with the sale tax ballots. Wagoner County had four separate sales taxes in effect during fiscal year 2007. Per the Oklahoma Tax Commission the August 22, 2006 sales tax, effective January 2007, would eliminate the .85% County Courthouse Renovation sales tax as of September 1, 2006. It appears that in February 2007 the County was remitted January collections for the .85% Courthouse Renovation sales tax. Upon recalculating the fiscal year 2007 sales tax split among the different entities, we noted in January and February 2007 combined, the County General and the Fire Districts received \$508,068.37 and \$76,210.28 more than and the Courthouse Renovation received \$584,278.66 less than directed by the sales tax votes.

Effect: The County is not in compliance with the sales tax ballots as voted on and passed by the citizens of the County.

Recommendation: OSAI recommends internal controls should be established to ensure sales tax collected is apportioned in accordance with the sales tax ballots and entities receiving sales tax proceeds, as prescribed by the sales tax ballots, receive the proper amount of appropriations.

Management Response:

Dana G. Patten, Wagoner County Treasurer

Management in the Treasurer's Office is keeping checks and balances in place to ensure that each account is awarded money from sales tax revenues as correctly designated.

Finding 2007-9 – Safeguarding of Blank Warrants

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, blank warrants should be kept in a secure environment and an accurate usage log should be maintained.

Condition: Based on our walk-through, it appears that blank warrants are kept in an open storage cabinet in a high traffic hallway. A usage log is maintained; but upon review, we noted several unexplained gaps in the control numbers noted on the log.

Effect: By failing to keep blank warrants in a secure environment and by not reviewing the usage log for gaps in the control numbers, the risk of misappropriation of funds increases.

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Recommendation: OSAI recommends management take steps to ensure warrants are maintained in a secure environment and the warrant usage log be reviewed for accuracy and any gaps in the sequence of the control numbers be investigated.

Management Response:

Carolyn Kusler, Wagoner County Clerk

We have moved the warrants to a locking file cabinet in one of the purchasing deputy's office. In addition, we have color coded the warrant usage log with the warrants so that a person can see at a glance if there is a gap in the sequence of numbers and call for an immediate investigation. The warrants will be checked out from the deputy who will witness the signing of the log. In addition, the purchasing agent will review the log on a random basis to ensure these procedures are being followed.

Finding 2007-10 – Payroll

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, payroll claims should be authorized by the elected official, reviewed and approved by the Board of County Commissioners prior to the issuance of payroll, and information used to generate payroll should agree to the final payroll claim. Also, employees and supervisors should sign timesheets.

Condition: During test work we noted the following:

- Sheriff's Official did not sign payroll claim attesting to and verifying payment in three (3) instances.
- The BOCC signed payroll documents, but did not date the approval in six (6) instances.
- A payroll claim was not dated in one (1) instance; therefore we could not ensure timeliness of the official's approving signature.
- No BOCC approval attached to payroll claim in three (3) instances.
- Employees of the Clerk's office and District 2 did not sign their timesheets.

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

Recommendation: OSAI recommends management take steps to ensure payroll claims are authorized by the elected official, reviewed and approved by the BOCC prior to the issuance of payroll, and information used to generate payroll agrees to the final payroll claim.

**WAGONER COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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Management Response:

Carolyn Kusler, Wagoner County Clerk

I attempted to implement the elected officials signing off on the payroll affidavit to ensure accuracy prior to payroll's submission to the Board of County Commissioners for approval when this omission was brought to my attention. In order to accomplish this, some changes to the time line of payroll needed to be made. When I explained the changes that needed to be made, two of the Commissioners in office at the time made a personal trip to the State Auditor's office to have this ruling overturned. They informed me that the State Auditor at that time told them that this was not required and we would continue as usual. As a result, no changes were made. When new Commissioners took office in 2011, the Board approved changing the process for payroll. This will allow us to implement the recommendation in these audits.

The current Chairman of the Board has requested a special meeting of all the elected officials and the Excise Board to go over the findings of the audits and I will explain at that time what the new payroll process will be which will include verification by the elected official prior to processing the payroll for the Board to approve.

The Clerk's office has had a daily sign-up sheet procedure with a monthly sign-off on accrued and used leave in place since 2005.

Finding 2007-11 – Budgeted Expenditures

Criteria: Title 19 O.S. § 1417 states in part:

Estimated revenues and appropriation expenditures in the budget of each fund shall be classified in conformity with the accounting system prescribed by the State Auditor and Inspector. Revenues shall be classified separately by source. Expenditures shall be departmentalized by appropriate functions and activities within each fund and shall be classified within the following categories:

1. Salaries and wages...
2. Employee benefits...
3. Operating expenses...
4. Other charges...
5. Capital outlays...and,
6. Debt service...

Condition: Controls have not been designed to ensure expenditures are paid from the appropriate budgeted categories. When reviewing disbursements, we noted expenditures classified as payroll in the amount of \$538,600.01 and \$5,651.73 was paid out of the General Fund M&O and Highway Fund M&O-District #3, respectively.

Effect: By not expending funds out of the appropriate budgeted categories, the County is in non-compliance with state statutes and additionally runs the risk of exceeding budgeted fund balances.

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Recommendation: OSAI recommends management develop controls to ensure that expenditures are expended out of the appropriate budgeted classification in relation to the function of the expenditure.

Management Response:

Carolyn Kusler, Wagoner County Clerk

During this time, sales tax monies were attributed to the general fund rather than a cash account. The Sheriff subsidized his personnel expenses with the sales tax monies. The Sales Tax monies are now in a cash fund which alleviates this problem for the Sheriff. The Clerk's office will be diligent in ensuring payroll is paid from the correct account in the general fund.

Dana G. Patten, Wagoner County Treasurer

The Treasurer's Office has controls in place to ensure that expenditures are used within the category for which they are designated.

Finding 2007-12 – Bids

Criteria: Title 19 O.S. § 1505 B.4 states:

The board of county commissioners, in an open meeting, shall open the sealed bids and compare them to the state contract price. The board of county commissioners shall select the lowest and best bid based upon the availability of material and transportation cost to the job site within thirty (30) days of the meeting. For any special item not included on the list of commonly used items, the requisitioning official shall review the bids and submit a written recommendation to the board before final approval. The board of county commissioners shall keep a written record of the meeting as required by law, and any time the lowest bid was not considered to be the lowest and best bid, the reason for such conclusion shall be recorded. Whenever the board of county commissioners rejects the written recommendation of the requisitioning official pertaining to a special item, the reasons for the rejection shall be entered in their minutes and stated in a letter to the requisitioning official and county purchasing agent;

Condition: During our test work, we noted that bid #13 was not awarded to the lowest bidder and the Board of County Commissioners' minutes did not document a reason for this action.

Effect: The County is not in compliance with state statutes.

Recommendation: OSAI recommends the Board of County Commissioners document in their meeting minutes, reasons why the lowest bidder was not selected.

Management Response:

Carolyn Kusler, Wagoner County Clerk

The Clerk's office now requests that reasons be given for the selection of a bid if it is not the lowest bid during the Commissioner meeting where the bid is awarded. The reason is documented in the minutes.

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Finding 2007-13 – Operational Transfer

Criteria: Title 68 O.S. § 3021 states in part:

Fourth: If at any time during the budget year it appears to the county treasurer that there is temporarily insufficient money in a particular fund to meet the requirements of appropriation in the fund, the excise board, upon request of the county treasurer and upon notification to the county commissioners, may temporarily transfer money from one fund to any other fund with the permission of the county officer in charge of the fund that the money will be temporarily transferred from. No transfer shall be made from the debt service fund to any other fund except as may be permitted by the terms of the bond issue or applicable law. Any funds temporarily transferred shall be repaid to the original fund from which they were transferred within the fiscal year that the funds were transferred.

Condition: A transfer of \$500 was made from the County General Fund to the Home Detention Fund during the fiscal year. The funds were not repaid to the County General Fund by fiscal year end.

Effect: By not repaying the funds to the County General Fund, the County is in violation of state statute.

Recommendation: OSAI recommends the County take appropriate steps to ensure any funds transferred from one fund to another, for the purpose of operations, be paid back to the loaning fund prior to the end of the fiscal year.

Management Response:

Carolyn Kusler, Wagoner County Clerk

A transfer was made from the General Fund to the Home Detention Fund. This transfer was made in accordance with Resolution 2006-066 passed by the Board and signed off by the Excise Board. The account from which the transfer was made was the General Gov't 10% sales tax account which is a cash account but which at that time was included in the general fund budget. The funds were not repaid. The Sales Tax monies have now been transferred out of the general fund budget into a cash account. We will ensure that the funds are repaid to the appropriate account in the future.

Dana G. Patten, Wagoner County Treasurer

We will be vigilant in tracking transfers so that they are paid back as soon as possible and by the end of the fiscal year at the latest.

Finding 2007-15 – Segregation of Duties

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.

**WAGONER COUNTY, OKLAHOMA
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FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Condition: A lack of segregation of duties exists in the County Treasurer's Office because the First Deputy prepares official depository tickets, posts daily receipts to the official depository ledger, reconciles the official depository account balance to the bank, prepares customer billings, mails tax statements, reviews amounts vouchered to other funds or agencies, prepares vouchers, signs vouchers, posts vouchers to the official depository ledger, mails the vouchers, authorizes purchases, prepares claims with supporting documentation, and approves claims for payments. In addition, the First Deputy also posts all the financial activity of the county to the general ledger, daily and monthly reports and reconciles all bank accounts.

Effect: 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. 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:

Dana G. Patten, Wagoner County Treasurer

Because the Treasurer's Office has a small staff all employees, at times, have to perform extra duties. While the bookkeepers also have to receive money, reconcile accounts, etc. there is in place a method by which the person who is preparing deposits is not receiving money in that same day. Management is taking an active role in reviewing key processes and approval of accounting.

Finding 2007-21 – Segregation of Duties - Payroll

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.

Condition: A lack of segregation of duties exists in the County Clerk's office because one deputy reviews the payroll claims, calculates amounts to be paid to the employees and payroll related agencies, reviews amounts issued to the employees and payroll related agencies, updates the master payroll file, issues payroll and prints payroll warrants.

Effect: 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.

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

Management Response:

Carolyn Kusler, Wagoner County Clerk

Segregation of duties in payroll was difficult to accomplish with limited personnel. In 2011, I was authorized an additional person for payroll. These two deputies cross check each other's work and verify that data entry is correct for payroll deductions and other processes associated with payroll. The Clerk reviews the payroll affidavit before it is submitted to the Board for approval.

Finding 2007-25 – Cash Vouchers

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, cash vouchers should be supported by a completed cash voucher claim with adequate supporting documentation and approval.

Condition: Of the 13 cash vouchers reviewed, we noted the following exceptions:

- Cash voucher claims did not have receiving documentation attached to the expenditure for the Treasurer's Resale Property account in four (4) instances.
- The County Clerk did not sign the cash voucher claim attesting to the expenditure in the Treasurer's Resale Property account in one (1) instance.

Effect: These conditions increase the risk of misappropriation of funds.

Recommendation: OSAI recommends management take steps to ensure cash vouchers are supported by a completed cash voucher claim and adequate supporting documentation with proper approval.

Management Response:

Carolyn Kusler, Wagoner County Clerk

The Clerk's office ensures that cash vouchers have appropriate documentation and are submitted in accordance with the purchasing laws.

Dana G. Patten, Wagoner County Treasurer

Every attempt is being made to assure that cash vouchers submitted for payment include all supporting documentation and signatures.

**WAGONER COUNTY, OKLAHOMA
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Finding 2007-26—Financial Statements and Disclosures

Criteria: The County's management is responsible for establishing internal control procedures to prepare and/or review the financial statements and accompanying notes to the financial statements in accordance with applicable accounting principles. Statement on Auditing Standards (SAS) No. 115 indicates that the County must have adequate knowledge and expertise to apply accounting principles to the financial statements or to review financial statements prepared on their behalf by others to ensure they are prepared in accordance with these principles. Professional audit standards indicate that the external financial statement auditor cannot perform any part of management's control activities or be a component of the internal controls over financial reporting as this would impair their independence.

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

Effect: This condition could result in unrecorded transactions or undetected errors.

Recommendation: OSAI recommends the County implement a review process for the financial statements and accompanying notes. The County may consider one or more of the following to ensure proper internal controls:

- Having at least one staff member trained in financial statement preparation and having sufficient skills necessary to prepare a complete set of year-end financial statements.
- Having someone independent of preparing the financial statement review for accuracy and completeness.

Management Response:

Carolyn Kusler, Wagoner County Clerk

The Board of Commissioners contracts with a CPA to prepare the financial statements and accompanying notes for the year-end financials and the subsequent budget process. All the elected officials participate in the review of the County's financial condition and participate in the budget process along with the Excise Board. All employees of the Clerk's office have been to the budget training offered by the OSU Extension; however, I do not think that that training includes application of accounting principles to the financial statements. This item will be discussed when the elected officials review these audits with the Excise Board.

Dana G. Patten, Wagoner County Treasurer

The staff of the Treasurer's Office is seeking further training to enhance skills necessary for the preparation of year-end financial statements and the review by another person other than the preparer.

**WAGONER COUNTY, OKLAHOMA
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SECTION 3—Findings related to the Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133.

Finding 2007-23 – Schedule of Expenditures of Federal Awards

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, 1712

FEDERAL AWARD YEAR: 2007

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

QUESTIONED COSTS: \$-0-

Criteria: The County's management is responsible for establishing internal control procedures to prevent or detect misstatements in a timely manner. This includes preparation of the Schedule of Expenditures of Federal Awards (SEFA) and accompanying notes to the SEFA. Professional audit standards indicate that the external financial statement auditor cannot perform any part of management's control activities or be a component of the internal controls over financial reporting as this would impair their independence.

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

Subpart C—Auditees

§____.300 Auditee responsibilities.

The auditee shall:

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

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

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

Effect: This condition could result in misstatements on the Schedule of Expenditures of Federal Awards.

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

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Management Response:

Carolyn Kusler, Wagoner County Clerk

During this period of time, the Board of Commissioners did not wish the County Clerk's office to be involved in their documentation of activities at the Districts nor with the grant processes. As a result, documentation for the SEFA was not available to the Clerk. Since we have had a change of leadership, I have a designated records management deputy who is in charge of ordering the grant files and tracking federal expenditures through proper documentation and completion of the SEFA for each year. I have a copy of Circular No. A-133 with which the Clerk is familiar and which has been provided to the records management deputy.

Finding 2007-24 - FEMA Files – Documentation of Federal Expenditures

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, 1712

FEDERAL AWARD YEAR: 2007

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: \$831,296.32

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.

OMB Circular A-133 §__.300 states that the auditee shall:

Identify, in its accounts, all Federal awards received and expended and the Federal programs under which they are received. Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

OMB Circular A-133 §__.310 states in part:

The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements...the schedule shall:

- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect

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during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule.

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.

Condition: When performing test work of the County's projects, it was noted that there was insufficient documentation to support the federal monies disbursed on disaster #1678 and #1712 for Districts 1, 2, and 3. Of the \$831,296.32 in questioned costs, \$815,515.54 was for disaster #1678 and \$15,780.78 was for disaster #1712. For disaster #1678 there were eight projects (PW #719-0, PW #1056-0, PW #50-0/50-1, PW #668-0, PW #96-0, PW #720-0, PW #721-0, PW #726-0) totaling \$499,169.81 where no documentation was provided. For the remaining \$316,345.73 in questioned costs for disaster #1678, there was limited documentation to support the work performed on the projects. For disaster #1712 the \$15,780.78 in questioned costs was due to limited documentation to support the work performed on the projects.

Disaster 1678

District #	PW Number	Project Amount	Federal Share	Subgrantee Admin	Undocumented
1	719-0	35,941.95	26,956.46	359.42	27,315.88
1	1067-0	28,620.70	21,465.53	286.21	1,396.13
1	1056-0	34,784.96	26,088.72	347.85	26,436.57
Total District 1		99,347.61	74,510.71	993.48	55,148.58
2	50-0/50-1	357,040.34	267,780.25	10,946.00	278,775.00
2	394-0	35,713.01	26,784.76	357.13	943.00
2	668-0	55,696.15	41,772.11	556.96	42,329.07
Total District 2		448,449.50	336,337.12	11,860.09	322,047.07
3	96-0	34,275.37	25,706.53	685.51	26,392.04
3	112-0/112-1	437,861.38	328,396.03	7,660.26	314,006.60
3	720-0	32,984.00	24,738.00	329.84	25,067.84
3	721-0	45,501.80	34,126.35	455.02	34,581.37
3	726-0	50,357.95	37,768.46	503.58	38,272.04

**WAGONER COUNTY, OKLAHOMA
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Total District 3		600,980.50	450,735.37	9,634.21	438,319.89
Total		1,148,777.61	861,583.20	22,487.78	815,515.54

Disaster 1712

District #	PW Number	Project Amount	Federal Share	Subgrantee Admin	Undocumented
2	437-0	6,211.50	4,658.40	124.22	2,127.19
2	780-0	20,816.58	15,612.44	416.33	13,653.59
Total District 2		27,028.08	20,270.84	540.55	15,780.78
Total		27,028.08	20,270.84	540.55	15,780.78

Cause: County claims documentation was provided to FEMA and was either retained by FEMA or misplaced by the County. The County Commissioners in office at the time of the completion of the audit were not the officers in office at the time of the declared disasters.

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

Recommendation: OSAI recommends that FEMA files be maintained for each FEMA project to provide evidence that the auditee is properly managing the federal awards and is in compliance with OMB Circular A-133's Compliance Requirements and OMB Circular A-87.

Management Response:

James Hanning, Wagoner County Commissioner, District 1

Since taking office January 3, 2011, we have searched and investigated the above for District 1 and we assure we did the best we could with the information we found. We have taken measures to prevent this in future events.

Tim Kelley, Wagoner County Commissioner, District 3

This finding concerns disasters before my term in office. I did not come into office until January 2011. District 3 will, from January 2011 forward, maintain adequate documentation for all disasters.

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Carolyn Kusler, Wagoner County Clerk

The Board of Commissioners at that time did not want the Clerk's office involved in management of the required FEMA documentation.

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 2007-5 – Estimate of Needs

Criteria: The adopted budget is an expression of public policy and financial intent and is a method of providing controls over that intent. Effective internal controls as they relate to government entities financial reporting should assist in fulfilling government's duty to be publicly accountable and should enable users' access to that accountability by demonstrating whether resources were obtained and used in accordance with the entity's adopted budget.

Additionally, Title 68 O.S. §3002 states in part:

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

Condition: The examination of the 2006-2007 Estimate of Needs for the General and Health Funds revealed the following:

- Provision for Interest on Warrants was included for \$2,600,660.45. Upon further investigation we found that the County had not paid any interest on warrants. When speaking with the budget maker regarding this issue, he stated that \$2,545,300.45 should have been transferred from the County General to the Sales Tax Fund and the other \$55,360 was the net of the transfers within the General Fund.
- The budget maker revealed to us that the numbers noted in the Estimate of Needs for Health were incorrect.
- When reviewing the account summary sheets that were used by the budget maker to prepare the Estimate of Needs, we noted they did not agree to either the appropriation ledger or the account summary sheets given to us by the Clerk.

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- The following three (3) accounts were noted on the Treasurer's General Ledger but had not been included on the Estimate of Needs: County Commissioner Use Tax, Youth Graduated Sanctions (STEP), and the CDBG accounts.
- The sales tax collections for Courthouse Renovations and the Fire Districts were not accurately reflected on the Estimate of Needs.
- The ending cash balance for the General Fund on the budget did not agree to the financial statements.
- Cash receipts and disbursements on the General Fund budget did not agree to receipts and disbursements adjusted for encumbrances on the financial statements.
- The ending cash balance for the Health Fund budget did not agree to the financial statements.
- Cash disbursements on the Health Fund budget did not agree to disbursements adjusted for encumbrances on the financial statements.

Effect: These conditions could result in an inaccurate budget, misappropriation of assets, and non-compliance with state statutes.

Recommendation: OSAI recommends management ensure that cash receipts and disbursements on the budget reconcile to the financial statements and that all amounts are identified and include supporting documentation. OSAI also recommends management take steps to ensure that all accounts posted to the County Treasurer's general ledger be included in the County's Estimate of Needs.

Management Response:

Carolyn Kusler, Wagoner County Clerk

The County's budget maker prepared the Estimate of Needs for the County. The budget maker worked directly with the Board of Commissioners office and did not confer with the County Clerk. We replaced that budget maker for the fiscal year 2010 and 2011.

Dana G. Patten, Wagoner County Treasurer

The Estimate of Needs prepared by the budget maker will be reviewed for accuracy to the best of my ability with particular attention to including all receipts and expenditures.

Finding 2007-14 – Inmate Trust Account

Criteria: Title 19 O.S. § 531A. states:

Notwithstanding any other provisions of law, the county sheriff may establish a checking account, to be designated the "Inmate Trust Fund Checking Account", to be managed by the county sheriff and maintained separately from regular county funds. The checking account shall be subject to audit by the State Auditor and Inspector. The county sheriff

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shall deposit all monies collected from inmates incarcerated in the county jail into this checking account and may write checks to the Sheriff's Commissary Account for purchases made by the inmate during his or her incarceration and to the inmate from unencumbered balances due the inmate upon his or her discharge." In addition, 19 O.S. § 682 includes all monies received be issued a receipt and those funds received be deposited daily in the official depository under color of office.

Title 19 O.S. § 180.43.D states:

Each county sheriff may operate, or contract the operation of, a commissary for the benefit of persons lawfully confined in the county jail under the custody of the county sheriff. Any funds received pursuant to said operations shall be the funds of the county where the persons are incarcerated and shall be deposited in the Sheriff's Commissary Account. The sheriff shall be permitted to expend the funds to improve or provide jail services. The sheriff shall be permitted to expend any surplus in the Sheriff's Commissary Account for administering expenses for training equipment, travel or for capital expenditures. The claims for expenses shall be filed with and allowed by the board of county commissioners in the same manner as other claims. The sheriff shall receive no compensation for the operation of said commissary. The sheriff shall file an annual report on any said commissary under his or her operation no later than January 15 of each year. The State Auditor and Inspector shall conduct an audit of the report in the same manner as other public records of the county. Nothing in this subsection shall circumvent the provisions of Section 73 of Title 7 of the Oklahoma Statutes.

Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, vouchers should have disbursement authorizations and voided vouchers should be retained. Also, reconciliations should be performed on the inmate trust account and should be reviewed and approved by someone other than the preparer.

Condition: The following exceptions were noted in our audit of the Sheriff Inmate Trust Fund:

- An annual report was not filed with the Board of County Commissioners.
- The commissary contract with the vendor was not current.
- Bank reconciliations were not reviewed or approved by someone other than the preparer.
- Disbursement authorization for check #3007 could not be located.
- Voucher #2757 was voided, but was not retained.
- January 2007 bank statement could not be located.

Effect: These conditions could result in misappropriation of assets, unrecorded transactions, and errors that could go undetected.

Recommendation: OSAI recommends the Sheriff retain all bank statements, voided checks, and disbursement authorizations, ensure all bank reconciliations are reviewed and approved by someone other than the preparer, ensure the commissary contract is valid, and prepare and file an annual report with the County Commissioners on or before January 15.

Management Response: Management did not respond.

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Finding 2007-16 – Segregation of Duties – Official Depository

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.

Condition: A lack of segregation of duties exists in the County Assessor's Office because two employees open mail, take collections, total remittances, write receipts, balance the cash drawer to daily receipts, prepare official depository tickets, take official deposits to the Treasurer, post daily receipts to cash book or official depository ledger, prepare and mail customer billings, and post payments as a part of the cash receipt process. The same two employees calculate amounts vouchered to other funds or agencies, prepare, sign and post vouchers to the official depository ledger.

A lack of segregation of duties exists in the County Sheriff's Office because two secretaries open mail, issue receipts, total remittances, balance cash drawers to daily receipts, prepare official depository tickets, take deposits to the Treasurer, post daily receipts to cash book or official depository ledger, reconcile official depository account balance to the Treasurer, and issue permits and licenses. These same two secretaries also prepare, sign, post, and distribute vouchers.

A lack of segregation of duties exists in the County Clerk's Office because all six land records deputies are permitted to open mail and total remittances, write receipts, balance the cash drawer to daily receipts, prepare official depository tickets, take official deposits to the treasurer, post daily receipts to the daily collection records, reconcile official depository account to the treasurer, prepare and mail customer billings, and post payments to customer accounts in the cash receipt process. The same land records deputies calculate and review amounts vouchered to other funds or agencies, prepare, sign, post, and mail the vouchers.

A lack of segregation of duties exists in the Court Clerk's Office because two employees open mail and total remittances, write receipts, balance the cash drawer, take official deposits to the Treasurer, post daily receipts to the official depository ledger, post payments to customer accounts, calculate amounts vouchered to other funds or agencies, prepare, sign, post, and mail vouchers, prepare claims with supporting documentation, and certify receipts of goods or services. All employees are allowed to receive money.

Effect: 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. In the event that segregation of duties is not possible due to limited

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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:

Carolyn Kusler, Wagoner County Clerk

Land Records deputies are responsible for checking and balancing their own cash drawers at the end of the day. In addition, each deputy must have their totals re-counted and verified by another deputy in Land Records. The Land Records Supervisor verifies the monthly depository account with the daily submissions. Once every cash drawer has been balanced and re-counted, one deputy prints reports and another deputy verifies the official depository ticket and takes official deposits to the Treasurer. This duty cycles between the deputies on a weekly basis according to our task schedule. Only the Land Records Supervisor and one deputy are trained to prepare and mail customer billings and vouchers.

Finding 2007-19 - Leases

Criteria: Article 10, § 26 of the Oklahoma Constitution states in part:

No county, city, town, township... or subdivision of the state, shall be allowed to become indebted, in any manner, or for any purpose, to an amount exceeding, in any year, the income and revenue provided for such year without the assent of three-fifths of the voters thereof voting at an election....

Title 19 O.S. §1501.5 states the Purchasing Agent:

Shall make lease or lease-purchase agreements for road machinery and equipment if the county has adequate funds appropriated during any fiscal year for such purpose and only after following the bidding procedures as provided for in Section 1505 of this title. The term of any lease or lease-purchase agreement authorized pursuant to this paragraph may be for any period up to one (1) year, provided, the term shall not extend beyond the end of any fiscal year, with an option to renew such agreement subject to the requirement that adequate funds are appropriated during the fiscal year by the county for such purpose. The State Auditor and Inspector's office shall be notified by the county of the terms and conditions of a lease or lease-purchase agreement authorized pursuant to this paragraph before any such agreement is made by the county purchasing agent.

Condition: The County is not allowed to incur debt without voter consent; however, our analysis of leases revealed the following exceptions:

- District 1's lease/purchase for the Rosco Chip Spreader was actually a loan for \$114,176.
- District 3's lease/purchases for the 1997 Volvo Water Pump Truck and the 2007 Sterling Tractor Truck were both loans for \$63,150 and \$78,794, respectively.
- Oak Grove Fire District's lease/purchase for the 2006 Chevy Rescue Truck was actually a loan for \$178,998.84.
- District 3 held title to two pieces of equipment than had liens against them.

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- The Fire Districts had twelve lease/purchase agreements that exceeded one year.

Effect: The County is not in compliance with the Oklahoma Constitution and state statutes.

Recommendation: OSAI recommends that all lease/purchase agreements be prepared on SAI form 120b. This form contains the appropriate wording in order to help the Counties avoid acquiring loans instead of lease/purchases. Additionally, OSAI recommends lease/purchase agreement not exceed one year and the County not take title to any equipment with a lien against it.

Management Response:

Carolyn Kusler, Wagoner County Clerk

We are in the process of reviewing the leases identified to see if we can correct the situation for those leases. We currently provide the lease agreement approved by the State Auditor's office to every bidder so that the financing will be on the appropriate form.

Finding 2007-20 – Flex Plan (Repeat Finding)

Criteria: Article 10, § 15 of the Oklahoma Constitution states in part:

...the credit of the State shall not be given, pledged, or loaned to any individual, company, corporation, or association, municipality, or political subdivision of the State.

Condition: During our test work, we noted that Wagoner County started a Flex Plan Spending Account in January of 2006, wherein employees pledge to invest a said amount of tax free money each month for the purpose of health and child care expenses. This money can be deducted from the account by an individual prior to the actual investment being made. In order to start up the program, the County fronted the Flex Plan Account (county employees) \$5000.00. Then to keep the Flex Plan Spending bank account from being overdrawn, the County deposited additional sums of money into the account throughout the year.

Effect: This is a violation of Article 10, § 15 of the Oklahoma Constitution.

Recommendation: OSAI recommends that the County remove all county funds from the Flex Plan Spending Account and notify the administrator of the Flex Plan Account that the County can no longer provide financial support for the account. Also, the bank account should be maintained by the company administering the plan and the County's name and employer identification number be removed from the account.

Management Response:

Carolyn Kusler, Wagoner County Clerk

We no longer have the Flex Plan with the provider who required the County to cover up front costs.

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Finding 2007-22 – Segregation of Duties – Inmate Trust

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.

Condition: A lack of segregation of duties exists in the Sheriff's Office for the Inmate Trust Account. The Inmate Trust Supervisor receives and receipts money, deposits money, and performs the bank reconciliations for the Inmate Trust Account.

Effect: 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. 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: Management did not respond.



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