



WOODS COUNTY

Financial Report

For the fiscal year ended June 30, 2022

Cindy Byrd, CPA
State Auditor & Inspector

**WOODS COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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OKLAHOMA
Office of the State Auditor & Inspector

Cindy Byrd, CPA | State Auditor & Inspector

2300 N. Lincoln Blvd., Room 123, Oklahoma City, OK 73105 | 405.521.3495 | www.sai.ok.gov

April 4, 2025

TO THE CITIZENS OF
WOODS COUNTY, OKLAHOMA

Transmitted herewith is the audit of Woods County, Oklahoma for the fiscal year ended June 30, 2022. 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.

This report is 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.

Sincerely,

A handwritten signature in blue ink that reads "Cindy Byrd". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

**WOODS COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Board of County Commissioners

District 1 – David Hamil
District 2 – Randy McMurphy
District 3 – John Smiley

County Assessor

Renetta Benson

County Clerk

Shelley Reed

County Sheriff

Rudy Briggs, Jr.

County Treasurer

David Manning

Court Clerk

Staci Davey

District Attorney

Christopher M. Boring

**WOODS COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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FINANCIAL SECTION



Independent Auditor's Report

TO THE OFFICERS OF
WOODS COUNTY, OKLAHOMA

Report on the Audit of the Financial Statement

Opinion

We have audited the total—all county funds on the accompanying regulatory basis Statement of Receipts, Disbursements, and Changes in Cash Balances of Woods County, Oklahoma, as of and for the year ended June 30, 2022, and the related notes to the financial statement.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the regulatory basis total receipts, disbursements, and changes in cash balances for all county funds of Woods County, as of and for the year ended June 30, 2022, in accordance with the financial reporting provisions of Title 19 O.S. § 171 of Oklahoma Statutes described in Note 1.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles (U.S. GAAP) section of our report, the financial statement referred to above does not present fairly, in accordance with U.S. GAAP, the financial position of Woods County as of June 30, 2022, or changes in financial position for the year then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (*Government Auditing Standards*), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of Woods County, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our audit opinions.

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

As described in Note 1, the financial statement is prepared by Woods County using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than U.S. GAAP to meet the requirements of the State of Oklahoma. The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and U.S. GAAP, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management for the Financial Statement

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

In preparing the financial statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Woods County's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statement.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Woods County's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Woods County's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the total of all county funds on the financial statement. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statement.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2025, on our consideration of Woods 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 solely 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 effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Woods County's internal control over financial reporting and compliance.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

February 13, 2025

REGULATORY BASIS FINANCIAL STATEMENT

WOODS COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Beginning Cash Balances July 1, 2021	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2022
County Funds:						
County General	\$ 10,843,799	\$ 3,509,905	\$ 1,413	\$ -	\$ 4,495,713	\$ 9,859,404
County Highway Unrestricted	4,615,911	5,925,530	-	-	4,276,899	6,264,542
County Bridge and Road Improvement	689,433	464,659	240,000	134,281	597,569	662,242
911 Phone Fees	408,888	207,959	-	-	112,827	504,020
Assessor Revolving Fee	53,097	3,909	-	-	1,732	55,274
County Clerk Lien Fee	298,894	22,226	-	-	27,366	293,754
County Clerk Records Management and Preservation Fund	107,733	27,200	-	-	28,785	106,148
Court Clerk Payroll	13,536	51,633	-	-	52,200	12,969
Emergency Management	77,613	15,140	-	-	57,073	35,680
Free Fair Board	199,456	-	-	-	19,654	179,802
Health	906,902	254,996	-	-	224,170	937,728
Local Emergency Planning Committee	4,384	1,000	-	-	212	5,172
Resale Property	184,342	48,715	-	-	41,678	191,379
Reward Fund	287	-	-	-	-	287
Sheriff Commissary	3,448	687	-	-	-	4,135
Sheriff Community Service Sentencing Program	250	-	-	-	-	250
Sheriff Service Fee	694,255	95,936	-	-	42,152	748,039
Treasurer Mortgage Certification	26,553	1,695	-	-	-	28,248
Sheriff Drug Buy	47,110	510	-	-	183	47,437
County Donations	11,199	600	-	-	7,679	4,120
American Rescue Plan Act 2021	854,404	858,386	-	-	-	1,712,790
Jail	551,077	10,978	-	-	1,118	560,937
Total - All County Funds	\$ 20,592,571	\$ 11,501,664	\$ 241,413	\$ 134,281	\$ 9,987,010	\$ 22,214,357

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

**WOODS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

B. Fund Accounting

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

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

County General – accounts for revenue derived mostly from ad valorem tax as directed by the Oklahoma Constitution and state statutes. Other revenue includes fees, in-lieu taxes, and other miscellaneous collections. Disbursements are for general operations of the County.

County Highway Unrestricted – accounts for revenue from motor fuel and motor vehicle taxes and is designated for those activities associated with building and maintaining county roads and bridges.

County Bridge and Road Improvement – accounts for collections from fuel and gas taxes collected by Oklahoma Tax Commission and disbursements are for the purpose of constructing and maintaining county bridges and roads.

911 Phone Fees – accounts for fees collected by phone service providers in accordance with state statute to support 911 emergency operations.

Assessor Revolving Fee – accounts for the collection of fees for copies as restricted by state statute.

**WOODS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

County Clerk Lien Fee – accounts for revenue generated from filing and copy fees. Proceeds to be expended as restricted by state statute.

County Clerk Records Management and Preservation Fund – accounts for fees collected for instruments filed in the County Clerk’s office. Expenditures are restricted to activities related to preservation of records in the County Clerk’s office.

Court Clerk Payroll – accounts for funds from the Court Fund for compensation of the District Court employees.

Emergency Management – accounts for revenue from state or federal grants for the purpose of providing the County emergency management services.

Free Fair Board – accounts for revenue from advertising, rentals, and concessions during the County free fair, livestock shows, and agricultural demonstrations held at the County fairgrounds. This revenue is used for premiums and other costs of hosting those events.

Health – accounts for ad valorem tax collections and fees for services collected, disbursements are for the operation of the County Health Department.

Local Emergency Planning Committee – accounts for legislative appropriations to assist local emergency planning committees in the development of an emergency plan in accordance with the requirements of Title III of the Federal Superfund Amendments and Reauthorization Act.

Resale Property – accounts for interest and penalties assessed on delinquent ad valorem tax payments as well as proceeds of selling real property in the County which has remained delinquent in ad valorem tax payments for three years. The fund is utilized by the County Treasurer for offsetting the costs associated with the collection of delinquent ad valorem taxes.

Reward Fund – accounts for revenue provided by fines assessed upon persons convicted of illegal dumping of trash, debris, waste, or other substances that may cause fire on public or private property. The Board of County Commissioners may use this fund to offer and pay a reward to individuals offering information that leads to an arrest and conviction. The fund may also be used for special enforcement programs related to investigating and/or preventing littering and illegal dumping.

Sheriff Commissary – accounts for profits on commissary sales in the County jail. Disbursements are for jail operations as defined by state statute.

Sheriff Community Service Sentencing Program – accounts for a program for providing an alternative to incarceration for nonviolent felony offenders. Revenue provided by contracts with the Department of Corrections. Proceeds are restricted to lawful operation of the program.

**WOODS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Sheriff Service Fee – accounts for the collection of fees and reimbursements for revenues such as process fees, courthouse security, contracts for housing and feeding prisoners, and disbursements as restricted by state statute.

Treasurer Mortgage Certification – accounts for fees collected by the County Treasurer for evaluating mortgages or other liens upon real property filed with the county for the purpose of collateralizing debt. The fund is used for lawful operation of the County Treasurer’s office.

Sheriff Drug Buy – accounts for a program for investigating illegal drug activities. Revenue source consists of proceeds from the sale of property seized during such investigations as ordered by the district court. This fund must be authorized by the District Attorney.

County Donations – accounts for donations to the county from private donors to be disbursed for a specified purpose and approved Board of County Commissioners’ resolution.

American Rescue Plan Act 2021 – accounts for monies received from the United States Department of Treasury and disbursed for responding to the COVID-19 public health emergency and its negative economic impact, premium pay to eligible workers, the provision of government services to the extent of the reduction in revenue due to the COVID-19 public health emergency, and investments in water, sewer, and broadband infrastructure as restricted by federal requirements.

Jail – accounts for the collection of money supplied to the Sheriff’s office for the housing of prisoners for towns, tribes, and other counties. The disbursements are for maintaining and operating the Woods County Jail.

C. Basis of Accounting

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

Title 19 O.S. § 171 allows Oklahoma counties to present their financial statement in accordance with U.S. GAAP or on a regulatory basis. The County has elected to present their financial statement on a regulatory basis in conformity with Title 19 O.S. § 171, which specifies the format and presentation of such regulatory basis financial statements: county governments (primary only) are required to present their financial statements on a fund basis format with, at a minimum, the general fund and all other county funds, which represent ten percent or greater of total county revenue with all other funds included in the audit presented in the aggregate in a combining statement. However, the County has elected to present all funds included in the audit in the Statement of Receipts, Disbursements, and Changes in Cash Balances—Regulatory Basis.

**WOODS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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.

E. Cash and Investments

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

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

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

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

2. Ad Valorem Tax

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

**WOODS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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. The County Treasurer, according to the law, shall give notice of delinquent taxes and special assessments by publication once a week for two consecutive weeks at any time after April 1, but prior to the end of September following the year the taxes were first due and payable. Unpaid real property taxes become a lien upon said property after the treasurer has perfected the lien by public notice.

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

3. Other Information

A. Pension Plan

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

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

B. Other Post Employment Benefits (OPEB)

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

C. Contingent Liabilities

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

**WOODS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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

D. Sales Tax

Sales Tax of April 1, 1992

The voters of Woods County approved a permanent one-half percent (1/2%) sales tax effective April 1, 1992. A resolution providing for funds for general operations, for purposes pertaining to the health and well-being of the people, and capital improvements of the government. These funds are accounted for in the County General fund.

E. Interfund Transfers

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

- \$1,413 was transferred from the Estray Animal fund (a trust and agency fund) to the County General fund in accordance with Title 4 O.S. § 85.6.
- \$240,000 was transferred from the Emergency Transportation Revolving fund (a trust and agency fund) to the County Bridge and Road Improvement fund as a loan for bridge and road improvements.
- \$134,281 was transferred from the County Bridge and Road Improvement fund to the Emergency Transportation Revolving fund (a trust and agency fund) for the repayment of a loan used for bridge and road improvements.

SUPPLEMENTARY INFORMATION

WOODS COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—
BUDGETARY BASIS—GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	General Fund		
	Budget	Actual	Variance
District Attorney	\$ 1,000	\$ 948	\$ 52
County Sheriff	813,421	605,284	208,137
County Treasurer	158,873	151,211	7,662
County Commissioners	500,000	462,293	37,707
County Clerk	225,000	217,826	7,174
Rural Water	47,379	45,195	2,184
Court Clerk	203,900	200,977	2,923
County Assessor	172,445	159,403	13,042
Revaluation of Real Property	199,027	171,476	27,551
Building Maintenance	835,402	-	835,402
County Audit Budget Account	43,028	-	43,028
Commissioner - Sales Tax	1,000,000	-	1,000,000
OSU Extension - Sales Tax	115,500	86,605	28,895
Juvenile Shelter Bureau - Sales Tax	25,000	1,512	23,488
General Government - Sales Tax	2,834,723	385,043	2,449,680
Excise - Equalization - Sales Tax	7,500	3,288	4,212
Election Board - Sales Tax	84,371	66,846	17,525
Insurance-Benefits - Sales Tax	1,290,000	1,067,017	222,983
Charity - Sales Tax	2,500	-	2,500
Building Maintenance - Sales Tax	3,108,763	15,816	3,092,947
E-911 - Sales Tax	520,000	514,284	5,716
Safety - Sales Tax	180,000	142,371	37,629
Free Fair Board - Sales Tax	141,500	133,647	7,853
Rural Fire Department - Sales Tax	100,000	79,117	20,883
Total Expenditures, Budgetary Basis	<u>\$ 12,609,332</u>	<u>\$ 4,510,159</u>	<u>\$ 8,099,173</u>

WOODS COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—
BUDGETARY BASIS—HEALTH FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Health Fund		
	Budget	Actual	Variance
Health and Welfare	\$ 1,105,672	\$ 194,978	\$ 910,694
Total Expenditures, Budgetary Basis	<u>\$ 1,105,672</u>	<u>\$ 194,978</u>	<u>\$ 910,694</u>

**WOODS COUNTY, OKLAHOMA
NOTE TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

1. Budgetary Schedules

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

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

INTERNAL CONTROL AND COMPLIANCE SECTION



**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in Accordance With
*Government Auditing Standards***

TO THE OFFICERS OF
WOODS COUNTY, OKLAHOMA

We have audited, in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the total—all county funds of the accompanying Statement of Receipts, Disbursements, and Changes in Cash Balances of Woods County, Oklahoma, as of and for the year ended June 30, 2022, and the related notes to the financial statement, which collectively comprise Woods County's financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated February 13, 2025.

Our report included an adverse opinion on the financial statement because the statement is prepared using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America (U.S. GAAP). However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County as of and for the year ended June 30, 2022, on the basis of accounting prescribed by Oklahoma state law, described in Note 1.

Report on Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be material weaknesses: 2022-001, 2022-002, 2022-003 and 2022-004.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Woods County's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2022-003 and 2022-004.

Woods County's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Woods County's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. Woods County's response was not subjected to the other auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

Purpose of this Report

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



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

February 13, 2025

**WOODS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

SECTION 1—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 2022-001 – Lack of County–Wide Internal Controls and Noncompliance Over Employee Handbook (Repeat Finding – 2012-001, 2013-001, 2014-001, 2015-001, 2016-001, 2017-001, 2018-001, 2019-001, 2020-001, 2021-001)

Condition: Through the process of gaining an understanding of the County’s internal control structure, it was noted that county-wide controls regarding the Control Environment, Risk Assessment, Information and Communication, and Monitoring have not been designed.

Further, during a review of the Employee Personnel Policy Handbook (handbook) it was noted that the cover of the handbook states, “Every office may have different reasons for different rules. Employees shall follow their Officer’s Rules.” However, each officer did not have another handbook or list of rules for his or her office. By making allowances for deviations from the handbook, the County has undermined the purposes of the handbook and made portions invalid, therefore, compromising all of it.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure compliance with state statute and to address the risks of the County and the handbook.

Effect of Condition: These conditions resulted in noncompliance with state statute. Without an adequate system of county-wide controls, there is greater risk of a breakdown in control activities which could result in unrecorded transactions, undetected errors, or misappropriation of funds. The handbook does not use the same policies and procedures for each office.

Recommendation: The Oklahoma State Auditor & Inspector’s Office (OSAI) recommends that the County design and implement a system of county-wide policies and procedures to identify and address risks related to financial reporting and to ensure that information is communicated effectively. OSAI also recommends that the County design and implement monitoring policies and procedures to assess the quality of performance over time. These procedures should be written policies and procedures and could be included in the County’s policies and procedures handbook. OSAI also recommends the County follow the approved handbook. Furthermore, OSAI recommends the County complies with state statute in regard to the personnel policy.

Management Response:

Chairman of the Board of County Commissioners: As a newly elected County Commissioner, I took office January 1, 2025, I am aware of the importance of state law, I plan to follow all policies and procedures. I cannot explain how business has been conducted in the past, but I can assure you that I will follow all procedures of Woods County to the best of my knowledge.

Monthly meetings have been implemented for all Woods County Officers to review and discuss policies and procedures within all offices of Woods County.

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County Clerk: The Officers are having monthly meetings with the new Chairman of the Board of County Commissioners. Agendas will be prepared, and minutes will be taken now. We will continue to work on our communication skills, policies and procedures.

County Treasurer: Woods County Officers are now conducting meetings once a month to review and discuss procedures and document our county control structure. Items of review and discussion include but are not limited to Risk Assessment, Safety, Control Activities and Monitoring Activities.

Criteria: The United States Government Accountability Office's *Standards for Internal Control in the Federal Government* (2014 version) aided in guiding our assessments and conclusion. Although this publication (GAO Standards) addresses controls in the federal government, this criterion can be treated as best practices and may be applied as a framework for an internal control system for state, local, and quasigovernmental entities.

The GAO Standards – Section 1 – Fundamental Concepts of Internal Control – OV1.01 states in part:

Definition of Internal Control

Internal control is a process effected by an entity's oversight body, management, and other personnel that provides reasonable assurance that the objectives of an entity will be achieved.

Additionally, GAO Standards – Section 2 – Establishing an Effective Internal Control System – OV2.04 states in part:

Components, Principles, and Attributes

Control Environment - The foundation for an internal control system. It provides the discipline and structure to help an entity achieve its objectives.

Risk Assessment - Assesses the risks facing the entity as it seeks to achieve its objectives. This assessment provides the basis for developing appropriate risk responses.

Information and Communication - The quality information management and personnel communicate and use to support the internal control system.

Monitoring - Activities management establishes and operates to assess the quality of performance over time and promptly resolve the findings of audits and other reviews.

Title 19 O.S. § 339(A)(10) states, "To develop personnel policies for the county with the approval of all county elected officers, as evidenced in the minutes of a meeting of the board of county commissioners or the county budget board."

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Finding 2022-002 – Reconciliation of Appropriation Ledger to General Ledger (Repeat Finding 2020-002, 2021-002)

Condition: Based on our documentation of controls, monthly reconciliations are not being performed between the County Clerk’s appropriation ledger and the County Treasurer’s general ledger for all funds.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure the reconciliation of the County Clerk’s appropriation ledger to the County Treasurer’s general ledger for all funds on a monthly basis.

Effect of Condition: This condition could result in unrecorded transactions, misstated financial reports, undetected errors, and misappropriation of funds.

Recommendation: OSAI recommends management take steps to ensure reconciliations are performed between all funds presented on the County Clerk’s appropriation ledger and the County Treasurer’s general ledger. Documentation of this reconciliation should be reviewed and approved by someone other than the preparer.

Management Response:

County Clerk: The Treasurer will bring to the County Clerk the monthly appropriations. The County Clerk will balance with the Treasurer in our Excel spreadsheet. The Treasurer and County Clerk will sign off on the spreadsheet. The signed spreadsheet will be kept with the County Clerk’s copy of the appropriations in the County Clerk’s office.

County Treasurer: The Woods County Treasurer’s Office now has a monthly procedure and spreadsheet with the County Clerk’s office wherein the appropriation ledger is balanced with the general ledger. The Treasurer and County Clerk sign the spreadsheet, and an original signed copy is retained in each office.

Criteria: The GAO Standards – Principle 16 – Perform Monitoring Activities – 16.05 states in part:

Internal Control System Monitoring

Management performs ongoing monitoring of the design and operating effectiveness of the internal control system as part of the normal course of operations. Ongoing monitoring includes regular management and supervisory activities, comparisons, reconciliations and other routine actions.

Finding 2022-003 – Lack of Internal Controls and Noncompliance Over the Disbursements and Payroll Processes (Repeat Finding – 2012-006, 2013-006, 2014-007, 2015-007, 2016-007, 2017-007, 2018-003, 2019-004, 2020-004, 2021-003)

Condition: Upon inquiry of county personnel and observation of the disbursement and payroll processes, the following weaknesses were noted:

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- The purchase order process is not adequately segregated. The County does not have an adequate segregation of duties to ensure that duties assigned to individuals are done so in a manner that would not allow one individual to control both the recording function and the procedures relative to processing a transaction.
- The payroll process is not adequately segregated. The County does not have an adequate segregation of duties to ensure that duties assigned to individuals are done so in a manner that would not allow one individual to control both the recording function and the procedures relative to processing a transaction.
- The purchasing process allows officers to backdate processes in the software and allows changes at any point.
- Upon review of the computer systems in the County, it was noted that there does not appear to be adequate internal controls in place to safeguard data. The specifics of the condition have been sanitized to protect the County pursuant to the provision of 51 O.S. § 24A.28.
- A signed requisition is not required by the purchasing agent prior to the encumbrance of funds.
- Departments do not verify encumbrance before placing orders for goods or services.
- Documentation for the payroll calculations is not certified by the preparer or secondary review.
- Timesheets for salaried employees are submitted to the County Clerk's office only once a year.
- Timesheets for hourly employees are generated and approved by the employee and supervisor prior to the end of the pay period.
- Salaried employees are paid from claims that are routinely generated in the County Clerk's office and are not supported with documentation.
- The receiving agent does not always review the products or services purchased before signing the receiving report.

Additionally, the following exceptions were noted with regards to the disbursement process:

- Of the thirty-nine (39) disbursements tested:
 - Four (4) disbursements totaling \$440,440 were not encumbered prior to the County incurring expenses.
 - One (1) disbursement in the amount of \$52,130 was not paid out of a proper account.
 - One (1) disbursement in the amount of \$38,750 was not supported with adequate documentation.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure compliance with state statutes and to ensure internal controls over the disbursement and payroll processes are properly designed and implemented.

Effect of Condition: These conditions resulted in noncompliance with state statute and could result in unrecorded transactions, misstated financial reports, undetected errors, and misappropriation of funds.

Recommendation: OSAI recommends the County design and implement policies and procedures over the disbursement and payroll processes. Such controls should include ensuring that funds are encumbered prior to the receipt of goods and/or services, disbursements are supported by adequate documentation, disbursements are expended from the proper fund and account, and that purchase orders and warrants are

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issued in accordance with 19 O.S. § 1505. Further, OSAI recommends that all payroll documentation be generated by the requesting department and that supporting documentation is attached and signed after the work period is complete. OSAI recommend the County comply with best practice presented in the criteria. The specifics of the recommendation have been sanitized to protect the County pursuant to the provision of 51 O.S. § 24A.28.

Management Response:

Chairman of the Board of County Commissioners: As a newly elected County Commissioner, I took office January 1, 2025, I am aware of the importance of state law, I plan to follow all policies and procedures. I cannot explain how business has been conducted in the past, but I can assure you that I will follow all procedures of Woods County to the best of my knowledge.

I have met with Woods County Clerk about the disbursement and payroll processes, and she has assured me that new procedures have been implemented, ensuring this problem has been resolved. I have met with the County Sheriff, and he has assured me all policies and procedures are being followed.

District 1 First Deputy: I will encumber funds prior to the ordering of goods and services. I will attend a purchasing class. I will communicate with the staff about proper purchasing procedures.

District 3 County Commissioner: I will more closely monitor the documents on the purchase orders and impress on my employees how important communication and follow through are.

County Clerk: The purchasing agent enters the vendor information from the W-9 form that we receive, the payroll clerk or County Clerk checks the information for errors. The purchasing agent enters part of the employee information, and the payroll clerk enters the rest of the information, the County Clerk checks all information for errors. Our software is used all over the state and the back dating ability is a statewide issue, but the program does time stamp and record every action in the system for viewing. We do not backdate, and we cannot access our software without a password. A signed requisition must be received before a purchase order is created. The County Clerk encourages all departments to follow the proper purchasing procedures and to follow the proper receiving of products and services laws. The County Clerk is now receiving timesheets monthly and is working to balance with each department monthly instead of yearly. The Payroll/Accounting Supervisor and the County Clerk each maintain their own payroll excel spreadsheet for balancing purposes. The Payroll/Accounting Supervisor saves each month in her computer and the County Clerk will start printing the excel spreadsheet to file with payroll monthly.

Criteria: The GAO Standards – Section 2 – Objectives of an Entity – OV2.23 states in part:

Objectives of an Entity – Compliance Objectives

Management conducts activities in accordance with applicable laws and regulations. As part of specifying compliance objectives, the entity determines which laws and regulations apply to the entity. Management is expected to set objectives that incorporate these requirements.

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Additionally, GAO Standards – Principle 6 – Define Objectives and Risk Tolerances – 6.05 states:

Definitions of Objectives

Management considers external requirements and internal expectations when defining objectives to enable the design of internal control. Legislators, regulators, and standard-setting bodies set external requirements by establishing the laws, regulations, and standards with which the entity is required to comply. Management identifies, understands, and incorporates these requirements into the entity's objectives. Management sets internal expectations and requirements through the established standards of conduct, oversight structure, organizational structure, and expectations of competence as part of the control environment.

Further, effective internal controls require that management properly implement procedures to ensure that expenditures comply with 19 O.S. § 1505.

According to the standards of the Information Systems Audit and Control Association (CobiT, Deliver and Support Ds5), the need to maintain the integrity of information and protect IT assets requires a security management process. This process includes establishing and maintaining IT security roles and responsibilities, policies, standards, and procedures. Security management also includes performing security monitoring and periodic testing and implementing corrective actions for identified security weaknesses or incidents. Effective security management protects all IT assets to minimize the business impact of security vulnerabilities and incidents.

Finding 2022-004 – Lack of Internal Controls and Noncompliance Over Presentation of Sales Tax Appropriations

Condition: The County sales tax appropriations were not correctly carried forward to the next year within the County General fund. This resulted in \$1,070,515 of the sales tax collections being misappropriated to other accounts within the General Fund.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure compliance with state statute and Attorney General Opinion.

Effect of Condition: This condition resulted in noncompliance with state statute and Attorney General Opinion, and could result in misstated financial reports, undetected errors, and misappropriation of funds.

Recommendation: OSAI recommends that policies and procedures be designed and implemented to ensure sales tax collections are appropriated in accordance with the sales tax ballot; specifically, through Board of County Commissioners' resolution. Management should establish amounts or percentages to discretely present sales tax funds appropriated into separate accounts within the County General fund in accordance with state statute and Attorney General Opinion.

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Management Response:

Chairman of the Board of County Commissioners: As a newly elected County Commissioner, I took office January 1, 2025, I am aware of the importance of state law, I plan to follow all policies and procedures. I cannot explain how business has been conducted in the past, but I can assure you that I will follow all procedures of Woods County to the best of my knowledge.

When speaking with the County Clerk and the County Treasurer, I was assured the proper procedures and controls have been implemented to remedy the issues.

County Clerk: In the future, I will have another person review my numbers on my sales tax budget spreadsheet.

Criteria: The GAO Standards – Section 2 – Objective of an Entity – OV2.23 states in part:

Compliance Objectives

Management conducts activities in accordance with applicable laws and regulations. As part of specifying compliance objectives, the entity determines which laws and regulations apply to the entity. Management is expected to set objectives that incorporate these requirements.

Further, GAO Standards – Principle 6 – Defined Objectives and Risk Tolerances – 6.05 states:

Definitions of Objectives

Management considers external requirements and internal expectations when defining objectives to enable the design of internal control. Legislators, regulators, and standard-setting bodies set external requirements by establishing the laws, regulations, and standards with which the entity is required to comply. Management identifies, understands, and incorporates these requirements into the entity's objectives. Management sets internal expectations and requirements through the established standards of conduct, oversight structure, organizational structure, and expectations of competence as part of the control environment.

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

Attorney General Opinion 2005 OK AG 23 dated 07/13/2005 (14) states:

"3. Proceeds of a county sales tax voted for a specific purpose but placed in the county's general fund must be accounted for as a discrete fund, and any surplus not needed for the

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stated purpose during one fiscal year must be transferred to the county budget for the next fiscal year, for the same specified purpose.”

SECTION 2—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.

No matters were reported.



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