

COUNTY AUDIT

# WOODS COUNTY

For the fiscal year ended June 30, 2012



*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

**WOODS COUNTY, OKLAHOMA  
FINANCIAL STATEMENT  
AND INDEPENDENT AUDITOR'S REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

---

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



# Oklahoma State Auditor & Inspector

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

June 23, 2015

TO THE CITIZENS OF  
WOODS COUNTY, OKLAHOMA

Transmitted herewith is the audit of Woods County, Oklahoma for the fiscal year ended June 30, 2012. The audit was conducted in accordance with 19 O.S. § 171.

A report of this type can be critical in nature. Failure to report commendable features in the accounting and operating procedures of the entity should not be interpreted to mean that they do not exist.

The goal of the State Auditor and Inspector is to promote accountability and fiscal integrity in state and local government. Maintaining our independence as we provide this service to the taxpayers of Oklahoma is of utmost importance.

We wish to take this opportunity to express our appreciation for the assistance and cooperation extended to our office during our engagement.

Sincerely,

A handwritten signature in blue ink, appearing to read "Gary A. Jones", is written in a cursive style.

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

**WOODS COUNTY, OKLAHOMA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

---

**TABLE OF CONTENTS**

INTRODUCTORY SECTION (Unaudited)

Statistical Information.....	iii
County Officials.....	iv
Ad Valorem Tax Distribution .....	v
Assessed Value of Property Trend Analysis.....	vi
County Payroll Expenditures Analysis .....	vii
County General Fund Analysis .....	viii
County Highway Fund Analysis .....	ix

FINANCIAL SECTION

Report of State Auditor and Inspector .....	1
Financial Statement:	
Statement of Receipts, Disbursements, and Changes in Cash Balances—Regulatory Basis (with Combining Information)—Major Funds.....	3
Notes to the Financial Statement.....	4

OTHER SUPPLEMENTARY INFORMATION

Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—General Fund.....	8
Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—County Health Department Fund .....	9
Combining Statement of Receipts, Disbursements, and Changes in Cash Balances—Regulatory Basis—Remaining Aggregate Funds .....	10
Notes to Other Supplementary Information .....	11

**WOODS COUNTY, OKLAHOMA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

---

INTERNAL CONTROL AND COMPLIANCE SECTION

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*..... 13

Schedule of Findings and Responses..... 15

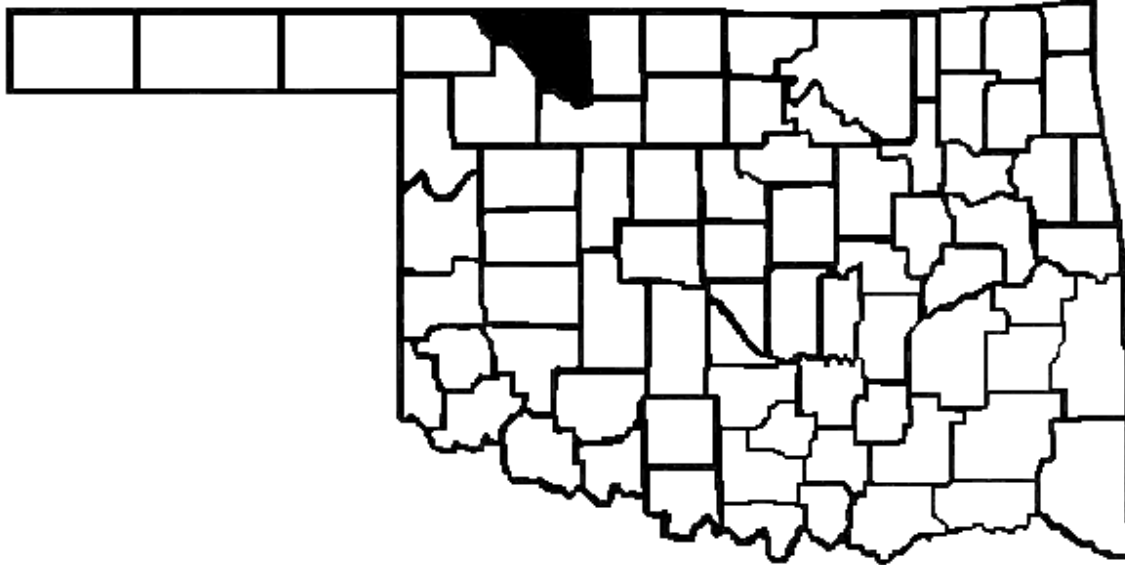
ITEM OF INTEREST

**Finding 2012-13 - Noncompliance Over Fixed Assets Inventory – Sale of Equipment:** The County advertised for sealed bids to sell one pickup from District 1 and four pickups from District 3. The County did not receive any bids for these items. Subsequently, the Commissioners sold the pickups without following Title 19 O.S. § 421. (Pg. 26)

**INTRODUCTORY SECTION  
UNAUDITED INFORMATION ON PAGES iii - ix  
PRESENTED FOR INFORMATIONAL PURPOSES ONLY**

**WOODS COUNTY, OKLAHOMA  
STATISTICAL INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

---



Woods County was created at statehood from portions of Woods and Woodward counties, Oklahoma Territory. It was part of the Cherokee Outlet, given to the Cherokees in 1828 as a hunting outlet. In 1893 the Cherokee Outlet was opened to white settlement by a land run, the greatest horserace in history. The area which was to become Woods County was originally designated as County “M.”

The Oklahoma Constitutional Convention divided old Woods County. The eastern portion became Alfalfa County; a southern portion became Major County, and part of Woodward County north and east of the Cimarron River was added to the remainder to make up present-day Woods County.

Books written about Woods County include *Pioneer Footprints Across Woods County*; *The First 100 Years of Alva, Oklahoma*; *Reflections Across Woods County*; *History of Woods County, Oklahoma*; and *Ranchland to Railroads*. Annual events in the area include the Nescatunga Arts & Humanities Fair in June, the Rattlesnake Hunt the first weekend after Easter, and the Freedom Rodeo during the third week in August.

The county tourist center is located on the campus of Northwestern Oklahoma State University. For more information, call the County Clerk’s office at (580) 327-0942

County Seat – Alva

Area – 1,290.07 Square Miles

County Population – 8,418  
(2009 est.)

Farms – 840

Land in Farms – 833,775 Acres

Primary Source: Oklahoma Almanac 2011-2012

**WOODS COUNTY OFFICIALS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

---

**Board of County Commissioners**

District 1 – Clint Strawn  
District 2 – Randy McMurphy  
District 3 – Mike Goucher

**County Assessor**

Monica Schmidt

**County Clerk**

Pam Inman

**County Sheriff**

Rudy Briggs, Jr.

**County Treasurer**

David Manning

**Court Clerk**

Della Dunnigan

**District Attorney**

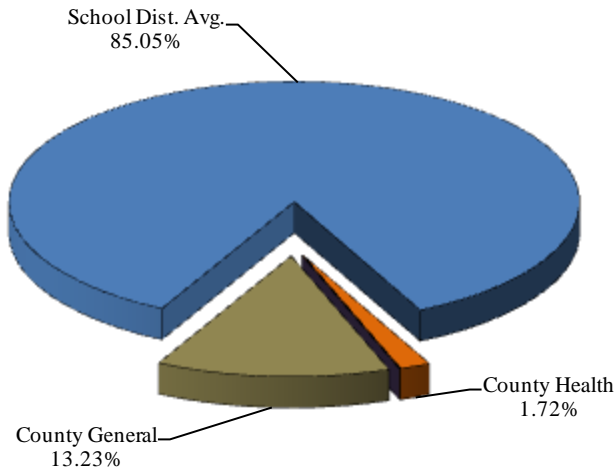
Hollis Thorp



**WOODS COUNTY, OKLAHOMA  
AD VALOREM TAX DISTRIBUTION  
SHARE OF THE AVERAGE MILLAGE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

---

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



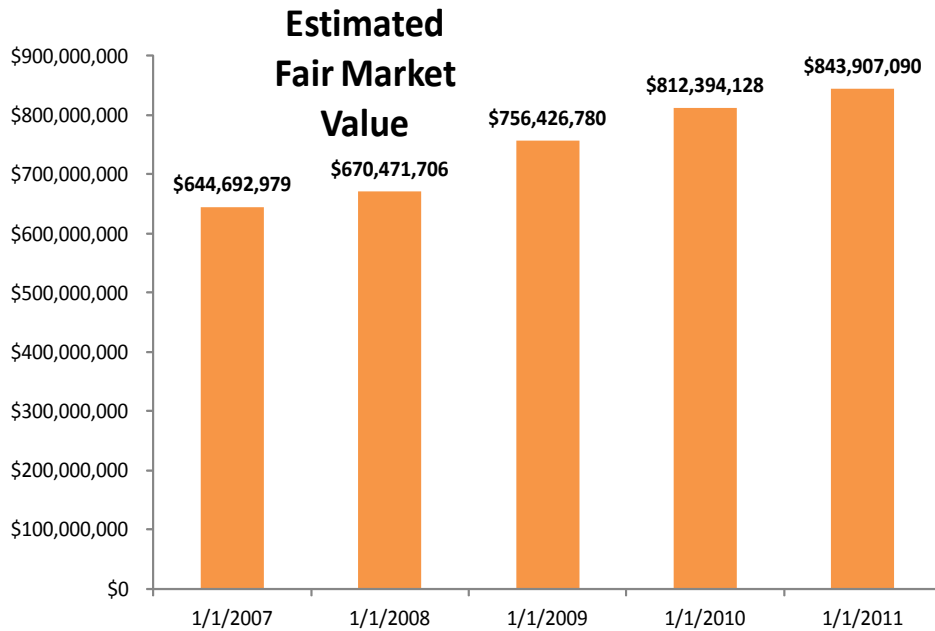
County-Wide Millages

School District Millages

County General	County Health			School District Millages					Total
				Gen.	Bldg.	Sk.	Career Tech	Common	
10.56	1.37	Alva	I-1	36.48	5.21	5.21	13.73	4.22	64.85
		Waynoka	I-3	37.64	5.38	6.05	13.73	4.22	67.02
		Freedom	I-6	38.64	5.52	3.25	13.73	4.22	65.36
		Joint 46 Alfalfa	J-64A	35.00	5.00	11.24	13.73	4.22	69.19
		Joint 4 Major	J-4M	38.90	5.56	10.55	13.73	4.22	72.96

**WOODS COUNTY, OKLAHOMA  
 ASSESSED VALUE OF PROPERTY  
 TREND ANALYSIS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

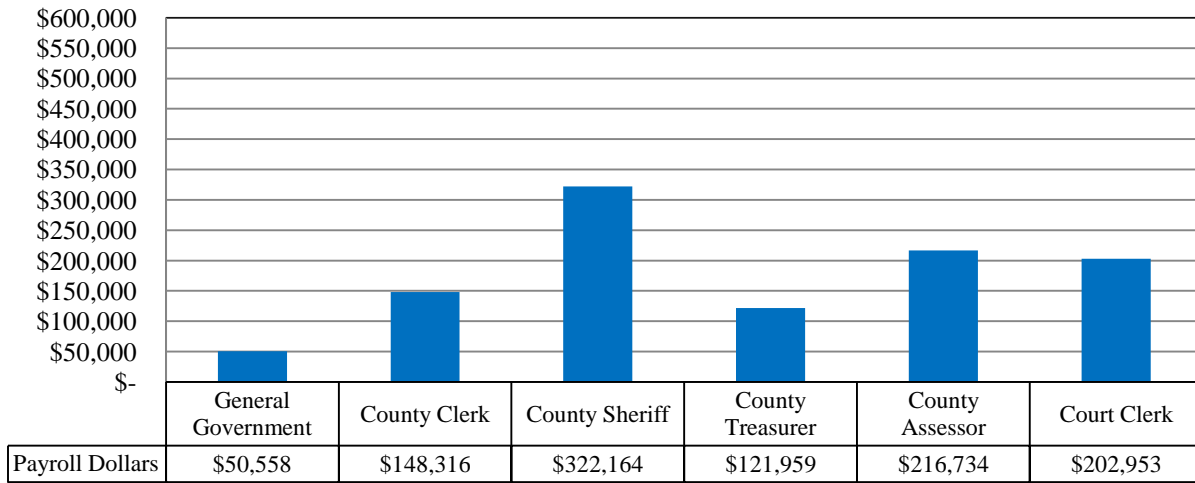
Valuation Date	Personal	Public Service	Real Estate	Total Exemptions	Net Value	Estimated Fair Market Value
1/1/2011	\$42,973,780	\$24,808,723	\$43,380,319	\$2,126,880	\$109,035,942	\$843,907,090
1/1/2010	\$40,180,655	\$25,181,653	\$42,245,384	\$2,159,394	\$105,448,298	\$812,394,128
1/1/2009	\$36,302,204	\$22,521,438	\$40,864,827	\$2,174,887	\$97,513,582	\$756,426,780
1/1/2008	\$28,592,418	\$20,915,495	\$39,176,781	\$2,194,206	\$86,490,488	\$670,471,706
1/1/2007	\$25,915,336	\$22,527,293	\$37,966,575	\$2,231,421	\$84,177,783	\$644,692,979



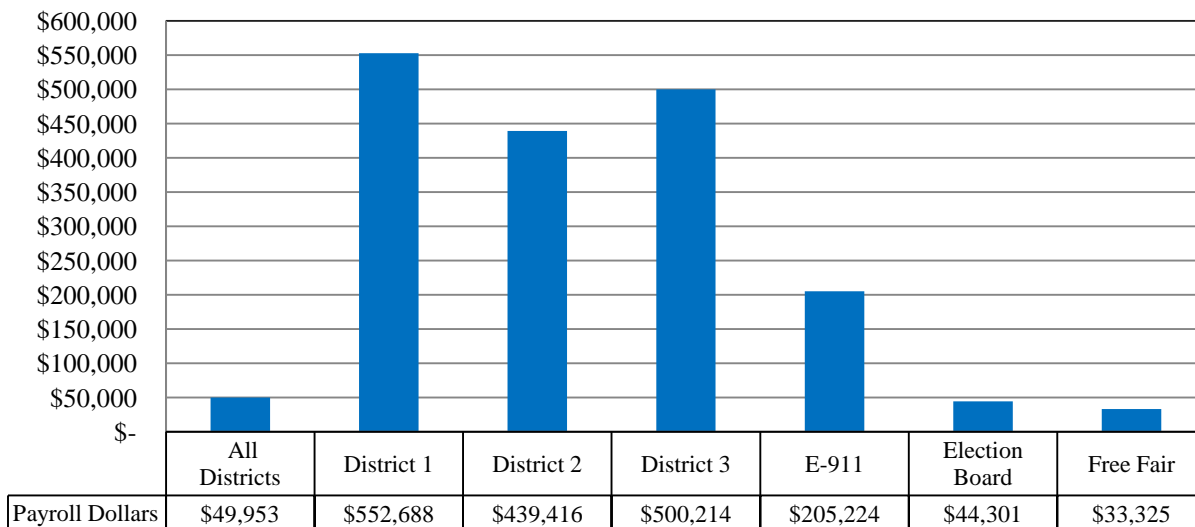
**WOODS COUNTY, OKLAHOMA  
COUNTY PAYROLL EXPENDITURES ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

County officers' salaries are based upon the assessed valuation and population of the counties. State statutes provide guidelines for establishing elected officers' salaries. The Board of County Commissioners sets the salaries for all elected county officials within the limits set by the statutes. The designated deputy or assistant's salary cannot exceed the principal officer's salary. Salaries for other deputies or assistants cannot exceed the principal officer's salary. The information presented below is for the fiscal year ended June 30, 2012.

**Payroll Expenditures by Department**



**Payroll Expenditures by Department**

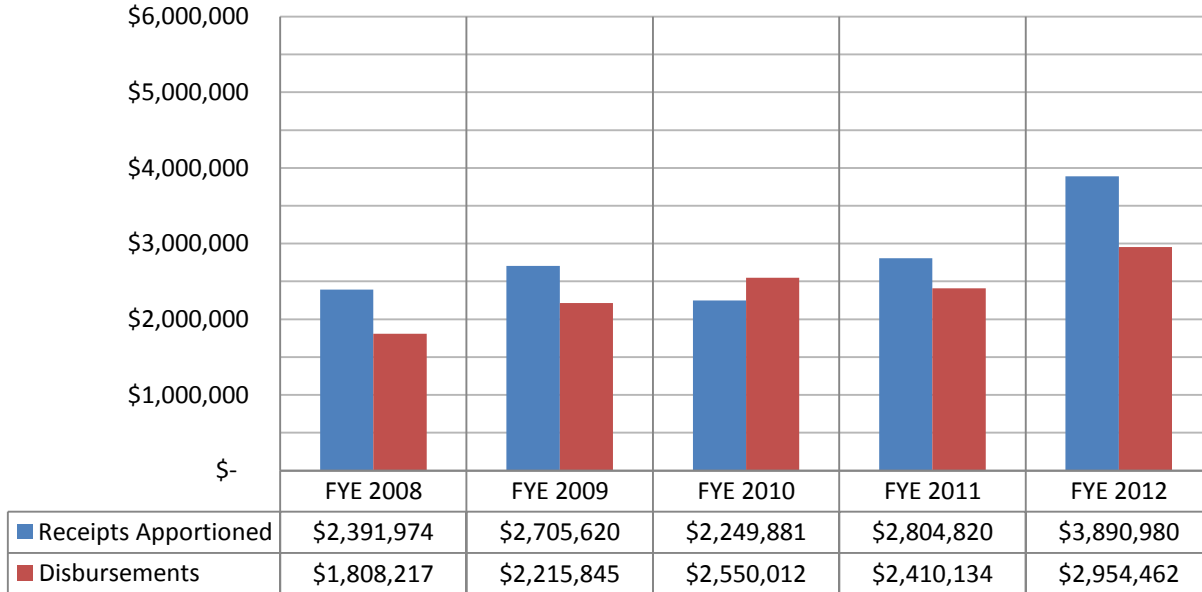


**WOODS COUNTY, OKLAHOMA  
COUNTY GENERAL FUND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

---

## County General Fund

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

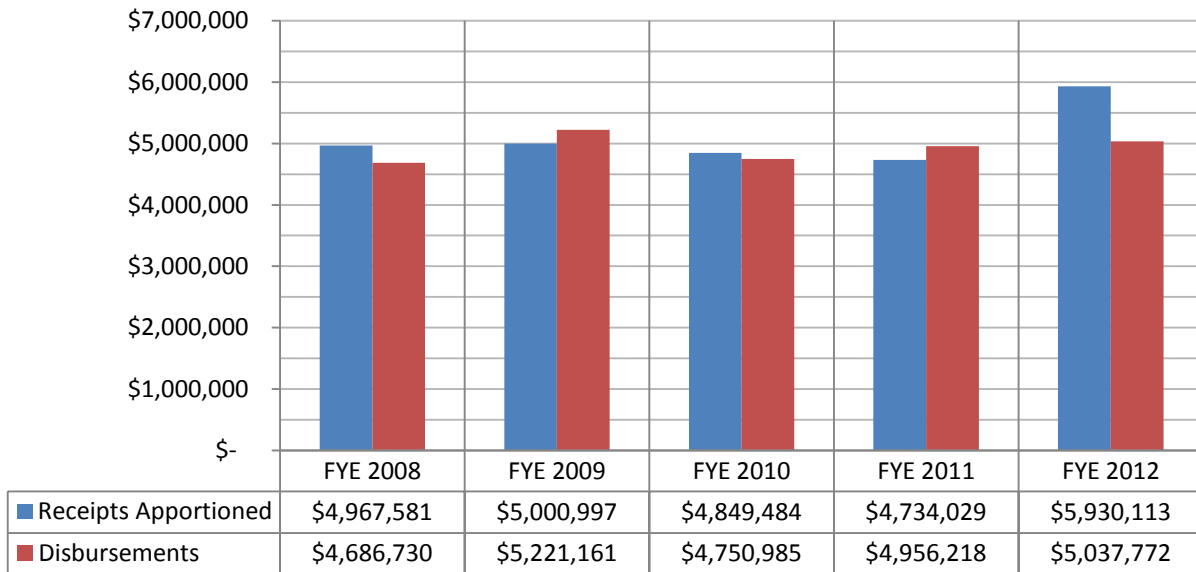


**WOODS COUNTY, OKLAHOMA  
COUNTY HIGHWAY FUND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

---

## County Highway Fund

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



## **FINANCIAL SECTION**



# Oklahoma State Auditor & Inspector

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

## Independent Auditor's Report

TO THE OFFICERS OF  
WOODS COUNTY, OKLAHOMA

We have audited the combined total—all county funds on the accompanying regulatory basis Statement of Receipts, Disbursements, and Changes in Cash Balances of Woods County, Oklahoma, as of and for the year ended June 30, 2012 listed in the table of contents as the financial statement. This financial statement is the responsibility of Woods County's management. Our responsibility is to express an opinion on the combined total—all county funds on this financial statement based on our audit.

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

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

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Woods County as of June 30, 2012, or changes in its financial position for the year then ended.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash balances for all county funds of Woods County, for the year ended June 30, 2012, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2015, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the combined total of all county funds on the financial statement. The Other Supplementary Information, as listed in the table of contents, is presented for purposes of additional analysis, and is not a required part of the financial statement. Such supplementary information has been subjected to the auditing procedures applied in the audit of the combined total—all county funds on the regulatory basis Statement of Receipts, Disbursements and Changes in Cash Balances and, in our opinion, is fairly stated, in all material respects, in relation to the combined total—all county funds. The information listed in the table of contents under Introductory Section has not been audited by us, and accordingly, we express no opinion on it.

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

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

June 22, 2015



**REGULATORY BASIS FINANCIAL STATEMENT**

**WOODS COUNTY, OKLAHOMA**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND**  
**CHANGES IN CASH BALANCES—REGULATORY BASIS**  
**(WITH COMBINING INFORMATION)—MAJOR FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

---

	Beginning Cash Balances July 1, 2011	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2012
Combining Information:						
Major Funds:						
County General Fund	\$ 2,830,532	\$ 3,890,980	\$ -	\$ -	\$ 2,954,462	\$ 3,767,050
County Highway Fund	2,065,664	5,930,113	63,128	-	5,037,772	3,021,133
County Health Department	155,720	152,806	-	-	119,087	189,439
County Bridge and Road Improvement Fund 105 E-911	867,222	435,288	-	63,128	88,420	1,150,962
	133,710	322,380	-	-	257,234	198,856
Remaining Aggregate Funds	1,037,743	408,327	-	-	146,361	1,299,709
<b>Combined Total - All County Funds, as restated</b>	<b>\$ 7,090,591</b>	<b>\$ 11,139,894</b>	<b>\$ 63,128</b>	<b>\$ 63,128</b>	<b>\$ 8,603,336</b>	<b>\$ 9,627,149</b>

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, 2012**

---

**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 school districts and cities and towns. The cash receipts and disbursements attributable to those other entities do not appear in funds on the County's financial statement; those funds play no part in the County's operations. Any trust or agency funds maintained by the County are not included in this presentation.

**B. Fund Accounting**

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

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

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

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

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

County Bridge and Road Improvement Fund 105 – accounts for state receipts and disbursements are for the purpose of improving county roads and bridges.

E-911 – accounts for monies collected from various telecommunication companies and Disbursements are provided for the operation of the Emergency 911 system.

**WOODS COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

---

**C. Basis of Accounting**

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

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

**D. Budget**

Under current Oklahoma Statutes, a general fund 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.

**WOODS COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

---

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

**2. Ad Valorem Tax**

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

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

**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

**WOODS COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

---

group plan. These benefits are funded on a pay-as-you-go basis as part of the overall retirement benefit. OPEB expenditure and participant information is available for the state as a whole; however, information specific to the County is not available nor can it be reasonably estimated.

**C. Contingent Liabilities**

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

**D. Sales Tax**

Woods County voters elected to have a ½ cent sales tax for an unlimited time. The tax is not earmarked, but is to be apportioned to the County General Fund for general operations. The County began collecting the tax on April 1, 1992.

These funds are accounted for within the County General Fund.

**E. Restatement**

Due to the reclassification of funds for the fiscal year ended June 30, 2011, the ending balance of the schedule included in the prior year operation audit reported is different than the July 1, 2011, beginning balance. The difference is due to moving the Fair Trophies and Rewards fund and the Unapportioned County General Fund from non-county funds to county funds. Additionally, the Emergency Transportation Revolving Fund was moved to non-county funds. The County Bridge and Road Improvement Fund 105 was reduced by the amount of loan payments made directly from the fund. This change resulted in a decrease in the beginning cash balance of \$252,868.

Prior Year Ending Balance, as Reported	\$7,343,459
Reclassified:	
Fair Trophies and Rewards	51,632
Unapportioned County General Fund	2,500
Emergency Transportation Revolving Fund	(113,456)
County Bridge and Road Improvement Fund 105	(193,544)
Total	<u>(252,868)</u>
 Prior Year Ending Balance, as Restated	 <u>\$7,090,591</u>

**WOODS COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

---

**F. Transfers**

During the fiscal year the County Bridge and Road Improvement Fund 105 transferred \$63,128 to the County Highway Fund to pay for the expense of building a county bridge.

**OTHER SUPPLEMENTARY INFORMATION**



**WOODS COUNTY, OKLAHOMA**  
**COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND**  
**CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—**  
**GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 2,828,032	\$ 2,830,532	\$ 2,500
Less: Prior Year Outstanding Warrants	(111,424)	(111,424)	-
Less: Prior Year Encumbrances	(116,353)	(107,163)	9,190
Beginning Cash Balances, Budgetary Basis	<u>2,600,255</u>	<u>2,611,945</u>	<u>11,690</u>
Receipts:			
Ad Valorem Taxes	1,046,745	1,158,290	111,545
Charges for Services	112,074	207,213	95,139
Intergovernmental Revenues	990,265	2,260,363	1,270,098
Miscellaneous Revenues	245,520	265,114	19,594
Total Receipts, Budgetary Basis	<u>2,394,604</u>	<u>3,890,980</u>	<u>1,496,376</u>
Expenditures:			
District Attorney	1,000	896	104
County Sheriff	478,857	455,014	23,843
County Treasurer	133,800	130,248	3,552
County Commissioners	525,000	157,660	367,340
County Commissioners OSU Extension	46,845	24,477	22,368
County Clerk	171,400	153,448	17,952
Court Clerk	161,200	159,366	1,834
County Assessor	154,555	146,468	8,087
Revaluation of Real Property	194,775	175,908	18,867
Juvenile Shelter Bureau	3,500	2,154	1,346
General Government	558,235	356,776	201,459
Excise - Equalization Board	8,200	2,743	5,457
County Election Board	57,859	51,815	6,044
Insurance Benefits	920,000	562,832	357,168
Charity	2,500	-	2,500
Highway Budget Account	179,635	112,110	67,525
County Audit Budget Account	10,904	10,904	-
Free Fair Budget Account	120,400	106,598	13,802
Building Maintenance Account	1,266,194	338,803	927,391
Total Expenditures, Budgetary Basis	<u>4,994,859</u>	<u>2,948,220</u>	<u>2,046,639</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	3,554,705	<u>\$ 3,554,705</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		75,438	
Add: Current Year Encumbrances		<u>136,907</u>	
Ending Cash Balance		<u>\$ 3,767,050</u>	

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

---

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 155,720	\$ 155,720	\$ -
Less: Prior Year Outstanding Warrants	(7,000)	(7,000)	-
Less: Prior Year Encumbrances	(5,847)	(5,437)	410
Beginning Cash Balances, Budgetary Basis	142,873	143,283	410
Receipts:			
Ad Valorem Taxes	135,799	149,085	13,286
Intergovernmental Revenues	377	639	262
Miscellaneous Revenues	572	3,082	2,510
Total Receipts, Budgetary Basis	136,748	152,806	16,058
Expenditures:			
County Health Budget Account	279,621	127,785	151,836
Total Expenditures, Budgetary Basis	279,621	127,785	151,836
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	168,304	\$ 168,304
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		11,795	
Add: Current Year Outstanding Warrants		9,340	
Ending Cash Balance		\$ 189,439	

**WOODS COUNTY, OKLAHOMA  
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH BALANCES—REGULATORY BASIS—  
REMAINING AGGREGATE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

---

	Beginning			Ending
	Cash Balances	Receipts		Cash Balances
	July 1, 2011	Apportioned	Disbursements	June 30, 2012
Remaining Aggregate Funds:				
Sheriff Revolving Fund	\$ 210,477	\$ 94,523	\$ 9,331	\$ 295,669
Sheriff Service Fee	325,751	92,310	64,478	353,583
County Clerk Lien Fee	190,813	86,288	37,204	239,897
County Clerk Records Preservation Fee	67,708	41,025	11,186	97,547
Fair Trophies and Rewards	51,632	38,213	575	89,270
Resale Property	98,115	15,790	13,983	99,922
Emergency Management	14,718	15,000	2,355	27,363
Assessor Revolving Fee	19,612	12,876	4,420	28,068
Sheriff Courthouse Security	29,528	10,375	-	39,903
Treasurer Mortgage Tax Certification Fee	21,142	1,765	100	22,807
Avarad Account	3,981	162	2,729	1,414
Juvenile Affairs Grant	2,439	-	-	2,439
Community Service Sentencing Program	250	-	-	250
Special Insurance	1,577	-	-	1,577
<b>Combined Total - Remaining Aggregate Funds</b>	<b>\$ 1,037,743</b>	<b>\$ 408,327</b>	<b>\$ 146,361</b>	<b>\$ 1,299,709</b>

**WOODS COUNTY, OKLAHOMA  
NOTES TO OTHER SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

---

**1. Budgetary Schedules**

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

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

**2. Remaining County Funds**

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

Sheriff Revolving Fund – accounts for the collection and disbursement of money supplied to the Sheriff's office for the housing of prisoners for town, tribes, and other counties. This money can be used for any lawful expenditure of the Sheriff's office.

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

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

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

Fair Trophies and Rewards – accounts for the collection of revenue generated from building rent, booth rental, and other fees.

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

Emergency Management – accounts for the collection of grant money to be disbursed for the purpose of Homeland Security by Woods County.

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

**WOODS COUNTY, OKLAHOMA  
NOTES TO OTHER SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

---

Sheriff Courthouse Security – accounts for grant money and fees collected through the Court Clerk’s office and disbursements are for the purpose of courthouse security.

Treasurer Mortgage Tax Certification Fee – account for the collection of fees by the Treasurer for mortgage tax certificates and the disbursements of the funds as restricted by statute.

Avard Account – accounts for the collection of Franchise Tax for the area formerly known as the Town of Avard.

Juvenile Affairs Grant – accounts for the balance remaining of a prior juvenile grant.

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

Special Insurance – accounts for the balance remaining of prior insurance reimbursements made to the County for property loss.

**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  
WOODS COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Woods County, Oklahoma, as of and for the year ended June 30, 2012, which comprises Woods County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated June 22, 2015. Our report on the basic financial statement was adverse because the statement is not a presentation in conformity with accounting principles generally accepted in the United States of America. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County for the year ended June 30, 2012, on the basis of accounting prescribed by Oklahoma state law, described in Note 1. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Woods 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 Woods County's internal control over financial reporting.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in internal control described in the accompanying schedule of findings and responses to be material weaknesses in internal control over financial reporting. 2012-1, 2012-5, and 2012-6.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting. 2012-7 and 2012-9.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Woods 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 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 2012-6 and 2012-7.

We noted certain matters regarding statutory compliance that we reported to the management of Woods County, which are included in Section 2 of the schedule of findings and responses contained in this report.

Woods County's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit Woods County's responses and, accordingly, we express no opinion on the responses.

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



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

June 22, 2015



**WOODS COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

---

**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 2012-1 - Inadequate County-Wide Controls (Repeat Finding)**

**Condition:** The County has not addressed all of the components of an Internal Control Framework which are the control environment, risk assessment, control activities, information and communication, and monitoring.

**Cause of Condition:** This condition is a result of the County not being aware of how the process of identifying risk, implementing control activities, communicating pertinent information and monitoring could positively impact the operations and reporting of the County.

**Effect of Condition:** This condition does not allow the County to function in the most effective manner possible.

**Recommendation:** The Oklahoma State Auditor & Inspector (OSAI) recommends that the County design and implement procedures to document their Internal Control Framework. This documentation should outline the importance of internal controls, the risk that the County has identified, the control activities established to address the risk, the steps to take to properly communicate pertinent information in a timely manner, and the methodology to monitor the quality of performance over time.

**Management Response:**

**District 1 Commissioner:** We will review the risk assessment and the controls findings at the Officer meetings.

**District 2 Commissioner:** Officer meetings have been established. No policy changes will be acted on until new officers are in place.

**District 3 Commissioner:** Proposed procedures to facilitate procedures were submitted for discussion and approval; however, District 1 and District 2 would not take action on the procedures. The procedures are to be reviewed again when final findings are presented.

**County Clerk:** The Officers are having monthly meetings with agenda and minutes taken now and will continue to work on our communication skills and procedures.

**County Treasurer:** Woods County Officers are conducting meetings at least once a month to design procedures and document our Internal Control Framework, including but not limited to Risk Assessment, Control Activities and Monitoring Activities.

**WOODS COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

---

**County Assessor:** It appears there are many risks that can affect our County Government. I believe many things are in place to preserve and control most of the issues. However, one can always strive to do better.

Most of the offices have a Contingency Plan on file already in case of major disasters. To ensure that no property is used after hours, we leave all County vehicles and keys at the courthouse. This has worked well in our office. Having different employees maintain and physically inspect our inventory protects us from fraud. Safety courses are offered on a quarterly on location, but attendance is not required. Mandatory attendance would lead to safer conditions and fewer accidents. Elected Officials could insist that all employees attend.

Miscommunication and lack of communication are probably the biggest issues that affect most work places. Woods County is no exception. There should be regular organized meeting of the Elected Officials. Any concerns can be voiced and resolved privately without causing disruption throughout the workforce. Problems or disagreements can be resolved among the officials, and eliminate unnecessary gossip. The officers should lead the way with positive attitudes that spread throughout the rest of the employees.

It would appear there are management issues regarding a few departments having employees that have no direct boss resulting in a lack of over site. This situation causes confusion for all employees and leads to jealousy, gossiping, and poor morale that spreads throughout the whole workforce. A solution would be to designate one elected official to be fully responsible for overseeing the work performed by these individuals. These individuals would know what is expected and would become more accountable for their actions. This accountability would be seen by the other employees and would lead to a better work environment.

Each Elected Official should set goals for their offices and review these each year to determine where changes need to be made in the future.

**County Sheriff:** The Woods County Officers are going to hold monthly meeting to discuss any problems or concerns currently facing Woods County.

**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.

The control environment is the foundation for all other components of internal control. When management believes that internal controls are important to meeting its goals and objectives and communicates this belief to its employees at all levels, internal controls are more likely to be functioning

**WOODS COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

---

well. However, if management views internal controls as unrelated to achieving its goals and objectives, or even as an obstacle, it is almost a certainty that this attitude will be held by all employees, despite official statements or policies to the contrary. This understanding by management of the importance of internal controls and the communication of this importance to its employees are key elements of the control environment.

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

For a county to run and control its operations, it must have relevant, reliable information, both financial and nonfinancial. That information should be recorded and communicated to management and others within the County who need it and in a form and within a time frame that enables them to carry out their internal control and operational responsibilities. In addition, the county needs to make sure that the forms of communications are broad-based and that information technology management assures useful, reliable, and continuous communications.

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

**Finding 2012-5 - Management Override of Purchasing Procedures (Repeat Finding)**

**Condition:** During documentation of internal controls over disbursements, we noted that the three County Commissioners sign blank purchase orders authorizing the requisition of goods or services. The signed purchase orders are held by the County Purchasing Agent to be completed upon the request of the County Commissioners. Upon request of County Commissioners, the Purchasing Agent completes the purchase order by filling in the amount, purpose, and funds.

The County Commissioners were requisitioning officers for the thirteen accounts within in the County General Fund. Those accounts totaled \$1,527,320 in disbursements for the fiscal year.

Additionally, the County Commissioners were requisitioning officers for all accounts within the following funds: County Highway Fund, Juvenile Affairs Grant, E-911, County Bridge and Road Improvement Fund 105, Avard Account, and Emergency Management.

The totaled disbursed from all funds was \$6,915,830, which is 80% of the total disbursements.

**WOODS COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

---

**Cause of Condition:** For the convenience of County personnel processing purchase orders, the County Commissioners have overridden the internal controls.

**Effect of Condition:** The County Commissioners have created inadequate internal controls over purchasing procedures by relinquishing their requisitioning duties. This condition gives the Purchasing Agent the opportunity to generate unauthorized purchases. These conditions could result in unrecorded transactions, undetected errors, and misappropriation of funds.

**Recommendation:** OSAI recommends that the County Commissioners sign purchase orders as the requisitioning officer after the requisition/purchase order form has been completed. Under no circumstances should the County Commissioners sign blank purchase orders.

**Management Response:**

**District 1 Commissioner:** Management chose not to respond.

**District 2 Commissioner:** We are implementing changes to our procedures for purchase orders for District 2 as soon as approved changes can be made. New procedures for County general funds are going to be discussed and may or may not happen until new officers assume their office.

**District 3 Commissioner:** I quit signing the blank Purchase Orders after being told to quit signing them by the auditors.

**County Clerk:** The County Commissioners or other requisitioning officer, now signs the purchase order as requisitioning officer as the purchase order is needed. Blank purchase orders are no longer signed by the County Commissioner as the requisitioning agent.

Offices and Districts are now responsible for completing receiving reports, attaching invoices or statements, and returning the completed purchase order to the Purchasing Agent for BOCC approval and payment.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. An important aspect of internal controls is the safeguarding of assets. Internal controls over safeguarding of assets constitute a process, affected by an entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions, and safeguarding assets from misappropriation.

**Finding 2012-6 - Inadequate Internal Controls and Noncompliance Over the Disbursement Process (Repeat Finding)**

**Condition:** Upon inquiry of the County Clerk and staff and observation of the purchase order process, we noted the following weaknesses regarding the disbursement process in a test of 48 purchase orders:

**WOODS COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

---

- Unauthorized County personnel are allowed to make purchases.
- Purchases orders are signed, certifying supporting documentation is attached to purchase orders for cash disbursements; however, we noted one instance in which adequate documentation was not provided to support all cash disbursements.
- We noted one instance in which adequate documentation was not provided to support all cash disbursements.

Fund	Purchase Order Number	Warrant Number	Purpose
County Highway Fund	2145	0939	Pickup

- There were 4 instances noted where the purchase orders were not properly encumbered.

Fund	Purchase Order Number	Warrant Number	Purpose
Free Fair	906	0354	Work Crew
County Highway Fund	2858	1297	Equipment Rental
County Highway Fund	3237	1582	Equipment Rental
County Highway Fund	4090	2076	Hot Mix

Upon inquiry and observation of the payroll process we noted the following weaknesses:

- The duties of processing payroll are not adequately segregated. The Payroll Clerk enrolls new hires, makes payroll changes, maintains personnel files, and prepares end of month payroll reports. The Payroll Clerk is also responsible for logging on to the financial institution website and initiating the direct deposit.

Additionally,

- There were two instances noted where timesheets were not approved by a supervisor and five instances noted where the payroll claims were not approved by the officer.
- There were two instances where we were unable to locate employee timesheets.

**Cause of Condition:** Procedures with regard to segregating the duties over the purchasing process and payroll process have not been designed due to the officials being unaware of the necessity of such procedures.

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

**Recommendation:** OSAI recommends that only authorized personnel be able to make purchases. Additionally, OSAI recommends that the processes regarding disbursements be adequately segregated and that an individual authorized as a requisitioning officer not be authorized to be a receiving officer.

**WOODS COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

---

OSAI recommends the following key accounting functions of the payroll process be adequately segregated:

- Posting new hires and/or making payroll changes to the payroll system.
- Maintaining personnel files.
- Performing the direct deposit.
- Preparing end of month payroll reports.

OSAI recommends the following in accordance with 19 O.S. § 1505C.2 and § 1505E:

- County funds should be encumbered prior to the receipt of goods and/or services.
- Disbursements of County funds should be supported with invoices and receiving reports.

**Management Response:**

**District 1 Commissioner:** Management chose not to respond.

**District 2 Commissioner:** As District 2 Commissioner, I was unaware of these happenings and will try to correct as quickly as possible.

**District 3 Commissioner:** We have updated the requisition and purchasing agent list recently.

**County Clerk:** With regard to the purchasing process; the original purchase orders are now distributed to the offices or Districts for requisition prior to the County Commissioner signing blank purchase orders. Offices and Districts are responsible for requisitioning the purchase order, completing the receiving reports, and attaching invoices or statements. The BOCC approves the purchase orders after they are completed and payment is then made by warrant in the County Clerk's office.

With regard to the payroll process; the County Clerk has two employees that now have access to payroll and share the duties of entering data and balancing reports. The Purchasing Agent will enter new employees in to the computer after information is gathered, in order to segregate the duties of payroll processing.

The Payroll/Accounting Supervisor also now maintains an Excel spreadsheet for easy cross-reference. After employee hours are added into the computer the timesheets are given to the 1<sup>st</sup> Deputy who enters the hours into an Excel spreadsheet and balances with the Payroll/Accounting Supervisor.

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

**WOODS COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

---

**Finding 2012-7 - Inadequate Internal Controls and Noncompliance Over Discrete Presentation of Sales Tax Activity**

**Condition:** The sales tax appropriations and expenditures are not discretely presented within the County General Fund.

The County apportioned \$1,922,872 in sales tax collections during the fiscal year ended June 30, 2012. Since the sales tax collections were commingled with other sources of revenue, we could neither determine how much sales tax was expended nor perform a test of sales tax expenditures.

**Cause of Condition:** The County was not aware that the statutes had been clarified by an Attorney General opinion.

**Effect of Condition:** This condition resulted in noncompliance with state statute and nonconformity with the AG opinion concerning the Sales Tax statute.

**Recommendation:** OSAI recommends that the County establish procedures that would allow for the sales tax balances and activity to be distinguished from other revenue sources activity within the County General Fund as required by Title 68 O.S. § 1370E.

**Management Response:**

**District 1 Commissioner:** Management chose not to respond.

**District 2 Commissioner:** In the future the sales tax for Woods County will be specific for its intent and kept separate from other monies received. Accountability should be a priority.

**District 3 Commissioner:** I understand laws are here for a reason and should be abided by. Woods County is in a very prosperous the oil and gas industry. It is easy to separate sales tax from the County General Fund at this time, however, as demonstrated by the sales tax collection history Woods County General Fund will not be able to function financially if times get tough again and sales tax collections cannot be utilized in the future.

**County Treasurer:** We are required to deposit the Sales Tax Collections, as approved in the March 10, 1992 election of County Question #91-1, in the County General Fund per Board of County Commissioners Resolution #1-12-41 dated February 29, 2012.

**County Clerk:** Because the budget has already been approved for fiscal year 2014-2015 and a line was not established in the budget for the sales tax there is nothing as County Clerk that I can do. If the governing board will allow me to then I will establish a sales tax line in the budget for fiscal year 2015-2016 within the County General Fund and will have personnel, M & O, and capital outlay accounts established.

**Auditor Response:** We are aware that the sales tax collections are required to be deposited into the County General Fund as stated on the ballot; however, we strongly recommend that the sales tax

**WOODS COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

---

collections and disbursements be accounted for as separate line items within the County General Fund and unexpended amounts be carried forward to the subsequent year. Further we will recommend that the Board of County Commissioners specify by resolution the percent of sales tax to be apportioned to the purposes defined within the Sales Tax Ballot. Our recommendations are not meant prohibit the utilization of the Sales Tax but to provide to the County a clear depiction of how sales tax is being expended.

**Criteria:** Title 68 O.S. § 1370E, requires the sales tax collections be deposited in the general revenue or sales tax revolving fund of the County and be used only for the purpose for which such sales tax was designated.

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

AG opinion 2014 OK AG 15 dated 10/31/2014 states:  
“4. C. As the fiscal agent responsible for superintending the funds of Canadian County, the board of county commissioners is responsible to ensure that the sales tax proceeds are not intermingled and are used exclusively for the purpose expressed in the ballot measure and resolution. The board can direct that the funds be deposited in a dedicated revolving fund and not intermingled with other revenues. Okla. Const. art. X, § 19; 68 O.S.2011, § 1370; 19 O.S.Supp.2013, § 339; 19 O.S.2011, § 345; Cavin v. Bd. of County Comm’rs, 1934 OK 245 ¶ 11, 33 P.2d 477, 479.”

**Finding 2012-09 - Inadequate Internal Controls and Noncompliance Over the Competitive Bidding Process**

**Condition:** Upon inquiry, observation, and review of three bids the following inadequate internal controls and noncompliance with Title 19 O.S. § 1505B (2)(4) was noted:

- Bid #11-12-14
  - The proof of publication could not be located.
- Bid #11-12-03
  - One of the bids accepted was not time and date stamped to provide assurance the bid was received before the deadline.
  - The minutes do not reflect the reason the lowest bid was not accepted.

**Cause of Condition:** Internal controls have not been designed to ensure compliance with state statutes.

**Effect of Condition:** This condition resulted in noncompliance with state statutes.



**WOODS COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

---

**Recommendation:** We recommend that the County establish internal controls to ensure compliance with Title 19 O.S. § 1505B (2)(4).

**Management Response:**

**District 1 Commissioner:** Management chose not to respond.

**District 2 Commissioner:** Noncompliance has been noted and will be corrected, with closer observation.

**District 3 Commissioner:** The County Clerk addresses issues regarding bids and advertisements.

**County Clerk:** The Purchasing Agent will keep proof of publications and will mark all bids with the date and time of when bids are received. The Commissioners' minutes will reflect the reason if the lowest bidder was not selected.

**Criteria:** Title 19 O.S. § 1505B (2) states in part, "...Notice of solicitation of bids shall also be published one time in a newspaper of general circulation in the county. Notices shall be mailed and published at least ten (10) days prior to the date on which the bids are opened...."

Title 19 O.S. § 1505B (4) states in part, "...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...."

Furthermore, all bids received by the county should be marked with the date and time received to ensure the Board of County Commissioners only review bids that were received prior to the deadline.

**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.**

**Finding 2012-12 - Inadequate Internal Controls and Noncompliance Over Fixed Assets Inventories and Consumable Items Inventories (Repeat Finding)**

**Condition:** Upon inquiry of County Officials and employees, and observation of records in regards to the fixed assets and consumable items inventories processes, the following was noted:

- The County Treasurer, County Assessor, District 1, District 2, and District 3 physical inventory verifications are performed by the same individual that is responsible for maintaining the inventory records.

**WOODS COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

---

- A test of seven fixed assets inventory items per office to items on hand reflected the following exceptions:
  - The County Assessor had one item that did not have the county identification number affixed to the equipment.
  - The County Clerk had one item that did not have the county identification number affixed to the equipment.
  - The County Treasurer had one item that did not have the county identification number affixed to the equipment.
  - The County Sheriff had seven items that did not have the county identification number affixed to the equipment.
  
- A test of fifteen fixed assets inventory items per office to items on hand reflected the following exceptions:
  - District 1 Commissioner had five items that did not have the County identification number affixed to the equipment.
  - District 2 Commissioner had eleven items that did not have the County identification number affixed to the equipment.
  - District 3 Commissioner had one item that did not have the County identification number affixed to the equipment.
  
- A test of fifteen fixed assets inventory items per district reflected the following exceptions:
  - District 1 Commissioner had six items, which were not properly identified as “Property of Woods County.”
  - District 2 Commissioner had ten items, which were not properly identified as “Property of Woods County.”
  - District 2 Commissioner had one item marked with the incorrect County identification number.
  - District 2 Commissioner had two items not listed on the County inventory.
  - District 3 Commissioner had four items which were not properly identified as “Property of Woods County.”

The observation and test of consumable inventory items for Districts 1, 2, and 3 County Commissioners reflected the following:

District 1 Commissioner:

- The employee responsible for maintaining stock cards and transferring documents is also the individual who receives the consumable items.
- One of the five consumable items selected was not listed as having a balance on hand.

District 2 Commissioner:

- The employee responsible for maintaining stock cards and transferring documents is also the individual who receives the items and performs periodic physical counts of consumable inventory.

**WOODS COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

---

- Two of the five consumable items selected could not physically be verified to the number of items on hand.

District 3 Commissioner:

- The employee responsible for maintaining stock cards and transferring documents is also the individual who receives the consumable items.

**Cause of Condition:** Procedures have not been designed and implemented by County Officers to perform and document annual fixed assets inventory counts and monthly consumable inventory items inventory counts to ensure compliance with state statutes.

**Effect of Condition:** These conditions resulted in noncompliance with state statutes. When fixed assets are not monitored and equipment is not properly marked with County identification numbers and “Property of Woods County” opportunities for misuse or loss of equipment can occur. Additionally, when consumable inventory items are not adequately monitored and inadequate segregation of duties exist, the opportunity for the misappropriation and undetected errors could result.

**Recommendation:** OSAI recommends management implement internal controls to ensure compliance with 19 O.S. § 178.1, 19 O.S. § 1502(A)(1), 19 O.S. § 1502(B)(1), and 69 O.S. § 645.1 by maintaining inventory records and marking assets with county identification numbers and “Property of.” OSAI recommends the performing and documenting a periodic inventory of fixed assets. Additionally, the key functions of receiving duties and inventory control duties should be performed by separate employees in order to efficiently segregate those duties.

With regard to consumable inventories, Title 19 O.S. § 1504A provides guidance with regard to maintaining an inventory of consumable items.

**Management Response:**

**District 1 Commissioner:** Management chose not to respond.

**District 2 Commissioner:** I will implement an inventory check by a person other than the person maintaining the inventory records of both fixed assets and consumable items.

**District 3 Commissioner:** We have remedied this situation by adhering stickers to identify all fixed assets. Physical inventories are done by the foreman, and the secretary maintains the inventory records for District 3. Due to our limited number of employees this segregation of duties is virtually impossible; however, the foreman controls inventory in and out of our yard and reports to the secretary for her records.

**County Clerk:** There has been a change in the County Clerk’s office personnel and therefore this is not going to happen again.

**County Treasurer:** We have separated the duties of the inventory process and have inspected every item to verify there is an inventory number permanently affixed on every item recorded on the inventory list.

**WOODS COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

---

**County Assessor:** “Physical inventories are performed by the individual responsible for maintaining the inventory records” has been corrected. Beginning immediately, a different individual will perform the physical inspection of our inventory with the assistance of the individual who maintains the records so as to ensure the flow and accuracy of the inspection.

“A test of seven inventory items for the County Assessor’s office reflected one item did not have an inventory number affixed” has been corrected. Again, when the auditor brought this to my attention an inventory number was hand written in an easily visible spot on the top corner of the table.

**County Sheriff:** All inventory items with a value of \$500.00 or more will be assigned and marked with an indentifying number. This process will be completed as expeditiously as possible.

**Criteria:** Internal controls over safeguarding of assets constitute a process, affected by an entity’s governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from misappropriation.

**Finding 2012-13 - Noncompliance Over Fixed Assets Inventory – Sale of Equipment**

**Condition:** Upon inquiry of County Officials and employees, and observation of records in regard to disposing of fixed assets, the following was noted:

The County advertised for sealed bids to sell one pickup from District 1 and four pickups from District 3. The County did not receive any bids for these items. Subsequently, the Commissioners sold the pickups as follows.

District	Item	Amount Received	To Whom Sold
District 1	1990 pickup	\$50.00	District 1 Commissioner’s Brother
District 3	1989 pickup ½ ton 4x4	\$1.00	County Employee
District 3	1996 pickup ¾ ton 4x4	\$100.00	County Employee
District 3	1995 pickup ¾ ton 4x4	\$300.00	County Employee
District 3	1994 pickup ¾ ton 4x4	\$101.00	Taxpayer

Furthermore, it was noted the Board of County Commissioners did not pass a resolution disposing of the pickups outlining the pertinent information which should include items sold, reason disposing of, amount received, and to whom sold.

**Cause of Condition:** Procedures have not been designed to ensure compliance with Title 19 O.S. § 421.

**Effect of Condition:** These conditions resulted in noncompliance with the state statute.

**Recommendation:** OSAI recommends that management implement internal controls to ensure compliance with state statute.

**WOODS COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

---

**Management Response:**

**District 1 Commissioner:** Management chose not to respond.

**District 2 Commissioner:** My attention will need to be more focused on all three districts in the future, than just District 2. I had no idea these items were disposed of this way.

**District 3 Commissioner:** The County Clerk's office advertised for sale in the paper for surplus items for sale by bid for District 3.

**County Clerk:** Resolutions for disposing of fixed assets outlining the pertinent information which includes items sold, reason disposing of, amount received, and to whom it was sold, will be approved in the County Commissioners' meeting then filed with the inventory recordkeeper.

**Criteria:** Internal controls over safeguarding of assets constitute a process, affected by an entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from misappropriation.

Title 19 O.S. § 421 states, "From and after the effective date of this act, each board of county commissioners of the several counties in the state shall within thirty (30) days after the disposition of any tools, apparatus, machinery, and equipment belonging to the county or leased or otherwise let to it or any department thereof, the original cost of which is more than Five Hundred Dollars (\$500.00), whether sold, exchanged, junked, leased or let where authorized by statute, shall enter, or cause to be entered, in the minutes of the proceedings of the board the fact of such disposition, including complete description of item, serial number, the date property was acquired, the name and address of the person or firm from whom property was acquired, the cost price at time of acquisition or contract price if acquired under lease-rental agreement, the date of disposition, the name and address of the person or firm to whom property transferred, the price received therefor and the reason for disposition."

Attorney General Opinion 1997-105A provides, in part: "Section 421.1 provides for a 'sale' by the Board of County Commissioners either through a sealed bid procedure or, in lieu thereof, a public auction. The law provides no other method by which a county may sell tools, apparatus, machinery[,] or equipments.[....]"

Attorney General Opinion 1996-26 provides, in part: "Section 421.1 is intended to insure that the county will, by following appropriate procedures, receive an adequate amount of money upon the sale of its surplus property."



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

[WWW.SAI.OK.GOV](http://WWW.SAI.OK.GOV)