

COUNTY AUDIT

WOODS COUNTY

For the fiscal year ended June 30, 2013



*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, 2013**

This publication, issued by the Oklahoma State Auditor and Inspector's Office as authorized by 19 O.S. § 171, has not been printed, but is available on the agency's website (www.sai.ok.gov) and in the Oklahoma Department of Libraries Publications Clearinghouse Digital 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, 2013. 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 over a horizontal line.

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

**WOODS COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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..... | 4 |
| Notes to the Financial Statement..... | 5 |

OTHER SUPPLEMENTARY INFORMATION

| | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------|----|
| Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—General Fund..... | 9 |
| Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—County Health Department Fund | 10 |
| Combining Statement of Receipts, Disbursements, and Changes in Cash Balances—Regulatory Basis—Remaining Aggregate Funds | 11 |
| Notes to Other Supplementary Information | 12 |
| Schedule of Expenditures of Federal Awards | 14 |
| Note to the Schedule of Expenditures of Federal Awards..... | 15 |

**WOODS COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

INTERNAL CONTROL AND COMPLIANCE SECTION

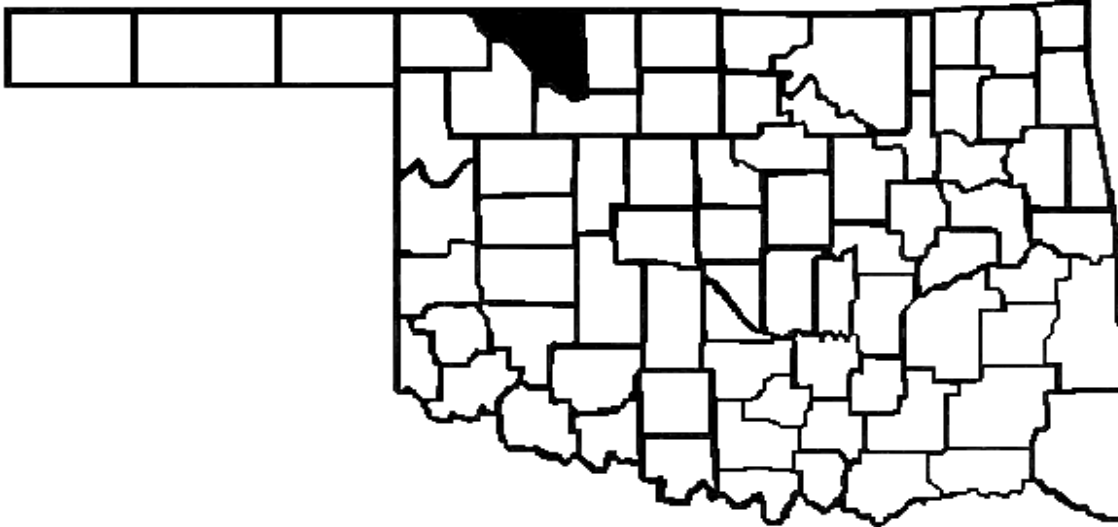
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance With
Government Auditing Standards..... 16

Independent Auditor's Report on Compliance With Requirements That Could Have a Direct
and Material Effect on Each Major Program and Internal Control Over Compliance in
Accordance With OMB Circular A-133 18

Schedule of Findings and Questioned Costs..... 20

**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, 2013**



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. Today, it is one of the top natural gas-producing counties in the state.

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 – 8,832
(2012 est.)

Farms – 840

Land in Farms – 833,775 Acres

Primary Source: Oklahoma Almanac 2013-2014

**WOODS COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Board of County Commissioners

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

County Assessor

Monica Schmidt

County Clerk

Shelley Reed

County Sheriff

Rudy Briggs, Jr.

County Treasurer

David Manning

Court Clerk

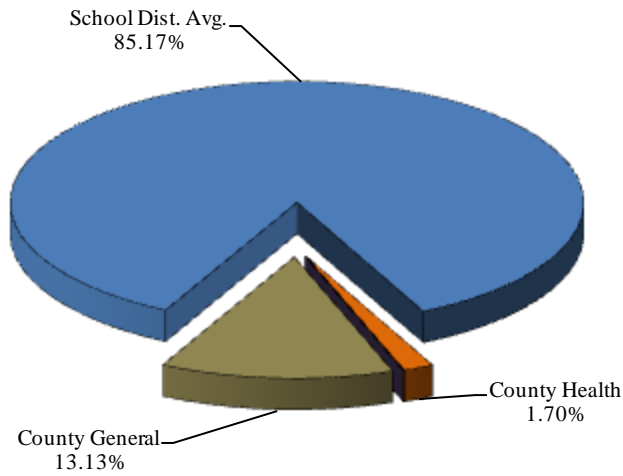
Della Dunnigan

District Attorney

Hollis Thorp

**WOODS COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

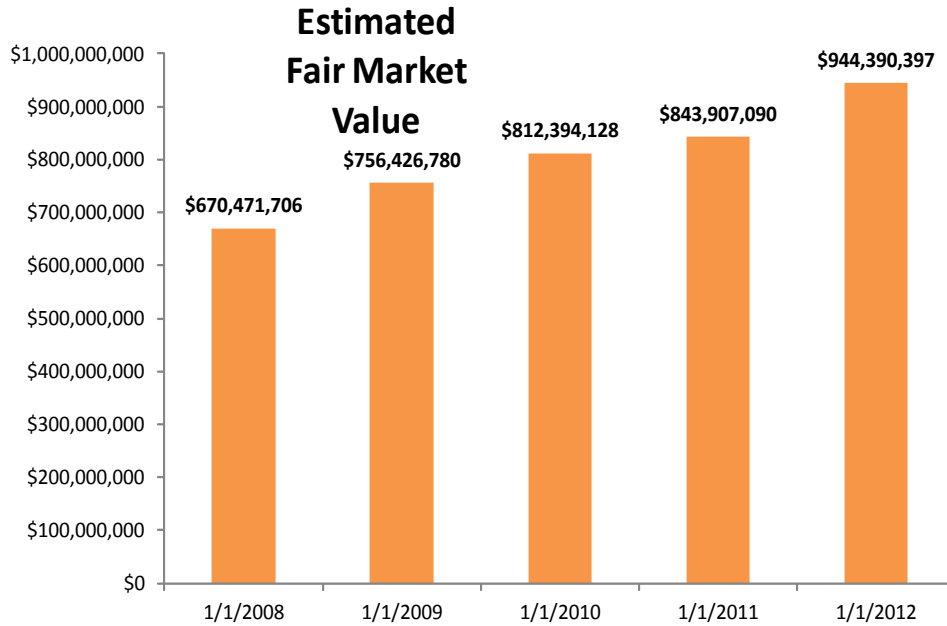
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the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



| County-Wide Millages | | School District Millages | | | | | | | |
|----------------------|-------|--------------------------|-------|-------|------|--------|--------|-------|-------|
| | | | | | | Career | | | |
| County General | 13.44 | | Gen. | Bldg. | Skg. | Tech | Common | Total | |
| County Health | 1.74 | Alva City | I-1 | 36.48 | 5.21 | 4.52 | 13.73 | 4.22 | 64.16 |
| | | Waynoka | I-3 | 37.64 | 5.38 | 5.53 | 13.73 | 4.22 | 66.50 |
| | | Freedom City | I-6 | 38.64 | 5.52 | 2.66 | 13.73 | 4.22 | 64.77 |
| | | Joint 46 Alfalfa | J-46A | 35.00 | 5.00 | 16.07 | 13.73 | 4.22 | 74.02 |
| | | Joint 4 Major | J-4M | 38.90 | 5.56 | 10.77 | 13.73 | 4.22 | 73.18 |

**WOODS COUNTY, OKLAHOMA
 ASSESSED VALUE OF PROPERTY
 TREND ANALYSIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

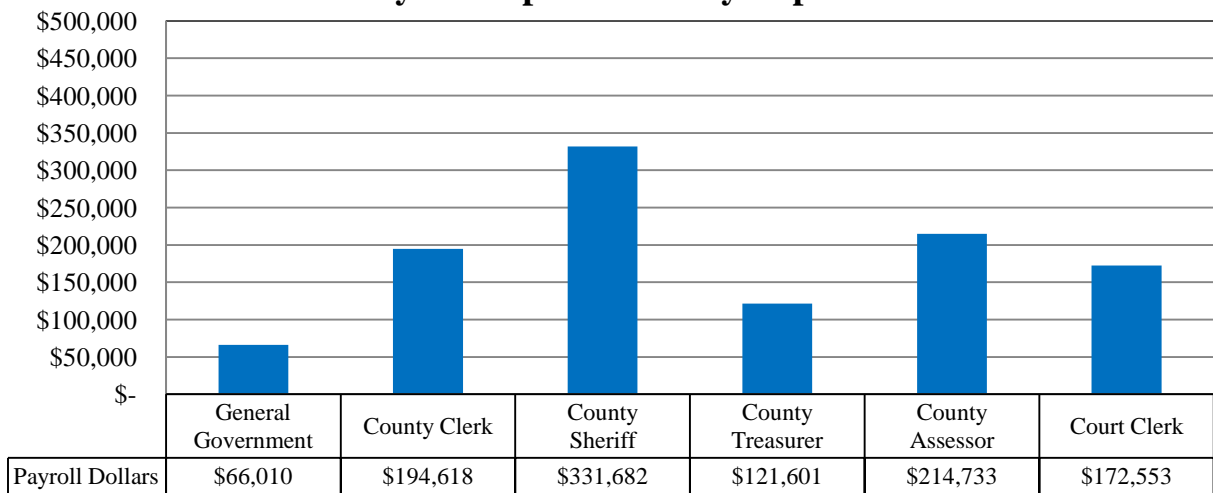
| Valuation Date | Personal | Public Service | Real Estate | Total Exemptions | Net Value | Estimated Fair Market Value |
|----------------|--------------|----------------|--------------|------------------|---------------|-----------------------------|
| 1/1/2012 | \$53,824,997 | \$24,044,717 | \$44,921,327 | \$2,087,386 | \$120,703,655 | \$944,390,397 |
| 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 |



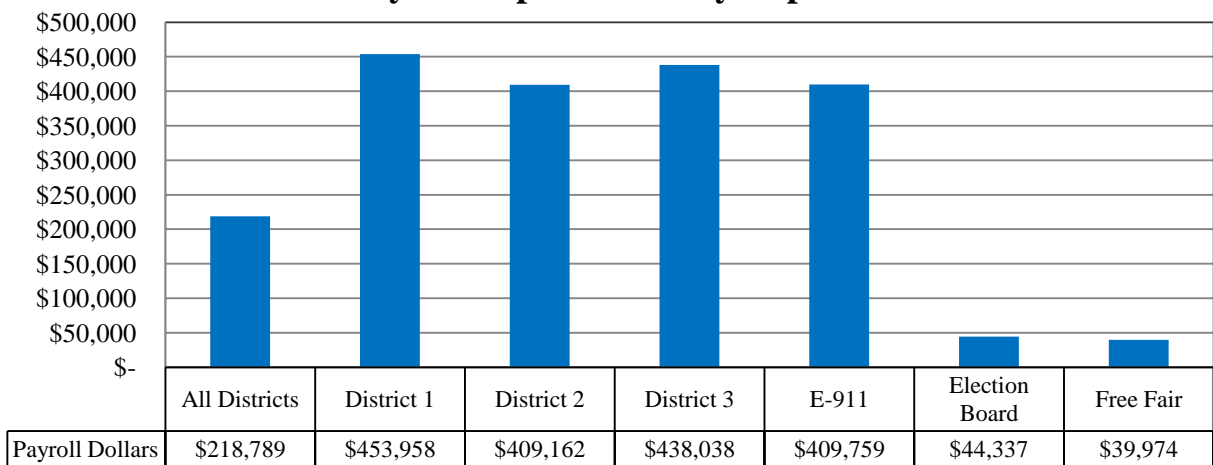
**WOODS COUNTY, OKLAHOMA
COUNTY PAYROLL EXPENDITURES ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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, 2013.

Payroll Expenditures by Department



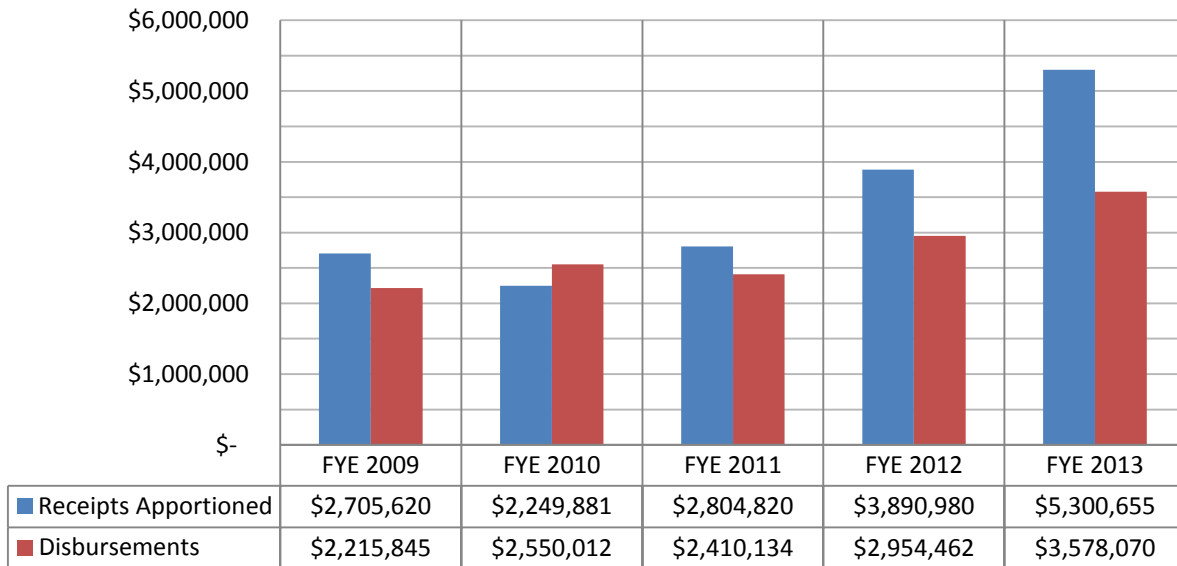
Payroll Expenditures by Department



**WOODS COUNTY, OKLAHOMA
COUNTY GENERAL FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

County General Fund

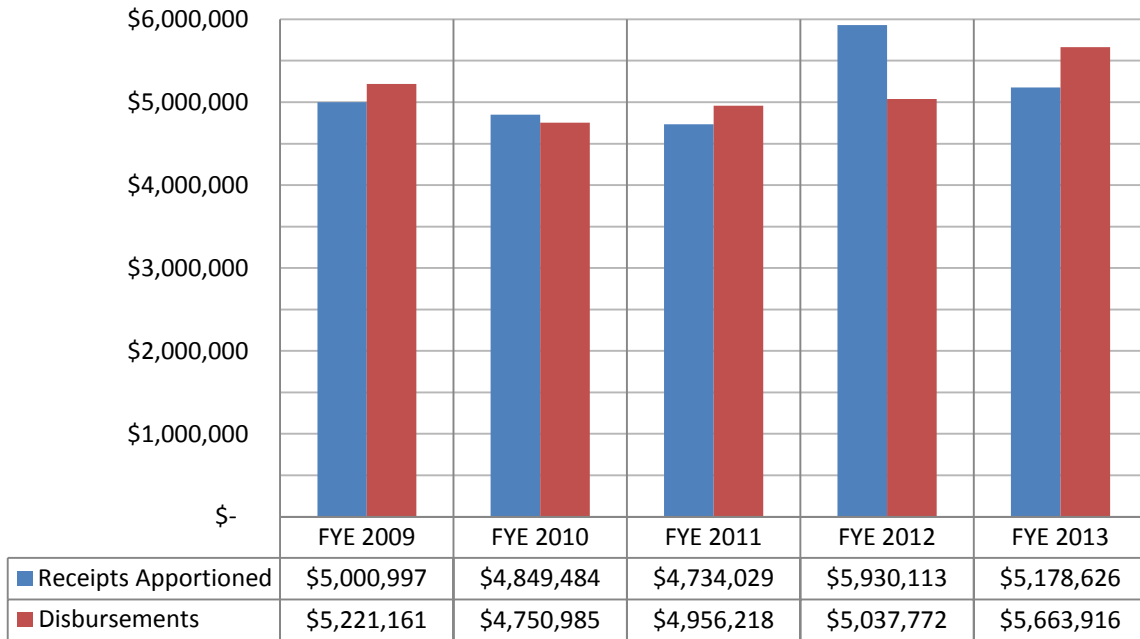
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also 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, 2013**

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

Report on the Financial Statement

We have audited the combined total—all county funds on the accompanying regulatory basis Statement of Receipts, Disbursements, and Changes in Cash Balances of Woods County, Oklahoma, as of and for the year ended June 30, 2013, listed in the table of contents as the financial statement.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted accounting Principles” paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Woods County as of June 30, 2013, or changes in its financial position for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash balances for all county funds of Woods County, for the year ended June 30, 2013, on the basis of accounting described in Note 1.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the combined total of all county funds on the financial statement. The accompanying Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the remaining Other Supplementary Information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statement.

The Schedule of Expenditures of Federal Awards and the Other Supplementary Information, as listed in the table of contents, is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and the Other Supplementary Information, as listed in the table of contents, is fairly stated, in all material respects, in relation to the combined total—all county funds.

The information listed in the table of contents under Introductory Section has not been subjected to the auditing procedures applied in the audit of the financial statement, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

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

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, 2013

| | Beginning Cash Balances July 1, 2012 | Receipts Apportioned | Disbursements | Ending Cash Balances June 30, 2013 |
|---------------------------------------------|--------------------------------------------|-------------------------|----------------------|------------------------------------------|
| Combining Information: | | | | |
| Major Funds: | | | | |
| County General Fund | \$ 3,767,050 | \$ 5,300,655 | \$ 3,578,070 | \$ 5,489,635 |
| County Highway Fund | 3,021,133 | 5,178,626 | 5,663,916 | 2,535,843 |
| County Health Department | 189,439 | 178,892 | 151,232 | 217,099 |
| County Bridge and Road Improvement Fund 105 | 1,150,962 | 444,439 | 425,953 | 1,169,448 |
| E-911 | 198,856 | 351,588 | 469,566 | 80,878 |
| CDBG Grant - Avard Rail Project | - | 1,000,000 | 1,000,000 | - |
| Remaining Aggregate Funds | 1,299,709 | 365,461 | 209,574 | 1,455,596 |
| Combined Total - All County Funds | \$ 9,627,149 | \$ 12,819,661 | \$ 11,498,311 | \$ 10,948,499 |

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, 2013**

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.

CDBG Grant – Avarad Rail Project – accounts for Community Development Block Grant funds received to establish a rail park in Woods County.

**WOODS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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, 2013**

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, 2013**

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.

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, 2013

| | General Fund | | |
|-----------------------------------------------------------------------------------------|------------------|---------------------|---------------------|
| | Budget | Actual | Variance |
| Beginning Cash Balances | \$ 3,764,550 | \$ 3,767,050 | \$ 2,500 |
| Less: Prior Year Outstanding Warrants | (136,907) | (136,907) | - |
| Less: Prior Year Encumbrances | (75,438) | (56,672) | 18,766 |
| Beginning Cash Balances, Budgetary Basis | <u>3,552,205</u> | <u>3,573,471</u> | <u>21,266</u> |
| Receipts: | | | |
| Ad Valorem Taxes | 1,158,755 | 1,322,633 | 163,878 |
| Charges for Services | - | 158,209 | 158,209 |
| Intergovernmental Revenues | 763,956 | 3,504,387 | 2,740,431 |
| Miscellaneous Revenues | 19,498 | 315,426 | 295,928 |
| Total Receipts, Budgetary Basis | <u>1,942,209</u> | <u>5,300,655</u> | <u>3,358,446</u> |
| Expenditures: | | | |
| District Attorney | 1,731 | 906 | 825 |
| County Sheriff | 575,312 | 490,250 | 85,062 |
| County Treasurer | 135,720 | 133,289 | 2,431 |
| County Commissioners | 1,111,538 | 813,139 | 298,399 |
| County Commissioners OSU Extension | 54,861 | 30,445 | 24,416 |
| County Clerk | 198,706 | 197,274 | 1,432 |
| Court Clerk | 130,252 | 127,402 | 2,850 |
| County Assessor | 145,392 | 140,535 | 4,857 |
| Revaluation of Real Property | 165,540 | 138,557 | 26,983 |
| Juvenile Shelter Bureau | 5,500 | 3,991 | 1,509 |
| General Government | 618,495 | 380,406 | 238,089 |
| Excise - Equalization Board | 8,200 | 4,788 | 3,412 |
| County Election Board | 59,148 | 48,985 | 10,163 |
| Insurance Benefits | 950,000 | 666,410 | 283,590 |
| Charity | 500 | - | 500 |
| Highway Budget Account | 207,968 | 136,520 | 71,448 |
| County Audit Budget Account | 15,680 | 625 | 15,055 |
| Free Fair Budget Account | 137,292 | 111,709 | 25,583 |
| Building Maintenance Account | 658,269 | 21,542 | 636,727 |
| Other Use (Bond Payment for Avarad Rail Project) | 314,310 | 61,810 | 252,500 |
| Total Expenditures, Budgetary Basis | <u>5,494,414</u> | <u>3,508,583</u> | <u>1,985,831</u> |
| Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis | <u>\$ -</u> | 5,365,543 | <u>\$ 5,365,543</u> |
| Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances | | | |
| Add: Current Year Outstanding Warrants | | 71,242 | |
| Add: Current Year Encumbrances | | <u>52,850</u> | |
| Ending Cash Balance | | <u>\$ 5,489,635</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, 2013**

| | County Health Department Fund | | |
|-----------------------------------------------------------------------------------------|-------------------------------|------------|------------|
| | Budget | Actual | Variance |
| Beginning Cash Balances | \$ 189,439 | \$ 189,439 | \$ - |
| Less: Prior Year Outstanding Warrants | (9,340) | (9,340) | - |
| Less: Prior Year Encumbrances | (11,795) | (10,141) | 1,654 |
| Beginning Cash Balances, Budgetary Basis | 168,304 | 169,958 | 1,654 |
| Receipts: | | | |
| Ad Valorem Taxes | 150,330 | 171,592 | 21,262 |
| Charges for Services | - | 5,859 | 5,859 |
| Intergovernmental Revenues | 575 | 760 | 185 |
| Miscellaneous Revenues | 351 | 681 | 330 |
| Total Receipts, Budgetary Basis | 151,256 | 178,892 | 27,636 |
| Expenditures: | | | |
| County Health Budget Account | 319,560 | 175,943 | 143,617 |
| Total Expenditures, Budgetary Basis | 319,560 | 175,943 | 143,617 |
| Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis | \$ - | 172,907 | \$ 172,907 |
| Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances | | | |
| Add: Current Year Encumbrances | | 41,212 | |
| Add: Current Year Outstanding Warrants | | 2,980 | |
| Ending Cash Balance | | \$ 217,099 | |

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, 2013

| | Beginning | | | Ending |
|---------------------------------------------------|---------------------|-------------------|-------------------|---------------------|
| | Cash Balances | Receipts | | Cash Balances |
| | July 1, 2012 | Apportioned | Disbursements | June 30, 2013 |
| Remaining Aggregate Funds: | | | | |
| Sheriff Revolving Fund | \$ 295,669 | \$ 43,765 | \$ 15,106 | \$ 324,328 |
| Sheriff Service Fee | 353,583 | 104,789 | 102,948 | 355,424 |
| County Clerk Lien Fee | 239,897 | 91,883 | 30,608 | 301,172 |
| County Clerk Records Preservation Fee | 97,547 | 36,851 | 28,959 | 105,439 |
| Fair Trophies and Rewards | 89,270 | 40,220 | 1,945 | 127,545 |
| Resale Property | 99,922 | 16,082 | 11,496 | 104,508 |
| Emergency Management | 27,363 | 7,500 | 3,561 | 31,302 |
| Assessor Revolving Fee | 28,068 | 8,129 | 10,094 | 26,103 |
| Sheriff Courthouse Security | 39,903 | 12,008 | 1,424 | 50,487 |
| Treasurer Mortgage Tax Certification Fee | 22,807 | 1,870 | 170 | 24,507 |
| Award Account | 1,414 | 2,282 | 3,263 | 433 |
| Juvenile Affairs Grant | 2,439 | - | - | 2,439 |
| Community Service Sentencing Program | 250 | - | - | 250 |
| Special Insurance | 1,577 | - | - | 1,577 |
| Litter Reward Revolving | - | 82 | - | 82 |
| Combined Total - Remaining Aggregate Funds | <u>\$ 1,299,709</u> | <u>\$ 365,461</u> | <u>\$ 209,574</u> | <u>\$ 1,455,596</u> |

**WOODS COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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, 2013**

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.

Litter Reward Revolving – accounts for the collection of fees from fines for littering.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**WOODS COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

| Federal Grantor/Pass-Through Grantor/Program Title | Federal CFDA Number | Pass-Through Grantor's Number | Federal Expenditures |
|--------------------------------------------------------------------------------------------------|---------------------------|-------------------------------------|-------------------------|
| U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | | | |
| Passed Through Oklahoma Department of Commerce: | | | |
| Community Development Block Grant/State's program and Non-Entitlement Grants in Hawaii (ARRA) | 14.255 | 14565-SCDGB-09 | \$ 1,000,000 |
| Total U.S. Department of Housing and Urban Development | | | <u>1,000,000</u> |
| U.S. DEPARTMENT OF INTERIOR | | | |
| Direct Grant: | | | |
| Payments in Lieu of Taxes | 15.226 | | 149 |
| Total U.S. Department of Interior | | | <u>149</u> |
| U.S. DEPARTMENT OF JUSTICE | | | |
| Passed Through the District Attorney Council: | | | |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | | 9,851 |
| Total U.S. Department of Justice | | | <u>9,851</u> |
| U.S. DEPARTMENT OF HOMELAND SECURITY | | | |
| Passed Through the Oklahoma Department of Emergency Management: | | | |
| Public Assistance Grants | 97.036 | 4109-DR-OK | 135,142 |
| Emergency Management Performance Grants | 97.042 | | 3,561 |
| Passed Through the Oklahoma Department of Public Safety | | | |
| Interoperable Emergency Communications | 97.055 | | 11,745 |
| Total U.S. Department of Homeland Security | | | <u>150,448</u> |
| Total Expenditures of Federal Awards | | | <u>\$ 1,160,448</u> |

**WOODS COUNTY, OKLAHOMA
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Basis of Presentation

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

INTERNAL CONTROL AND COMPLIANCE SECTION



Oklahoma State Auditor & Inspector

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

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

TO THE OFFICERS OF
WOODS COUNTY, OKLAHOMA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined total—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Woods County, Oklahoma, as of and for the year ended June 30, 2013, which comprises Woods County's 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 included an adverse opinion on the financial statement because the statement is prepared using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County for the year ended June 30, 2013, on the basis of accounting prescribed by Oklahoma state law, described in Note 1.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses: 2013-1, 2013-5, and 2013-6.

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 questioned costs to be significant deficiencies: 2013-7 and 2013-9.

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 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 questioned costs as item 2013-6 and 2013-7.

Woods County's Responses to Findings

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

Purpose of this Report

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

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



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

June 22, 2015



Oklahoma State Auditor & Inspector

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

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

TO THE OFFICERS OF
Woods COUNTY, OKLAHOMA

Report on Compliance for Each Major Program

We have audited the compliance of Woods County, Oklahoma, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on Woods County's major federal program for the year ended June 30, 2013. Woods County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of Woods County's management.

Auditor's Responsibility

Our responsibility is to express an opinion on Woods County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Woods County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Woods County's compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, Woods County, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2013.

Internal Control Over Compliance

Management of Woods County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Woods County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program

to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Woods County's internal control over compliance.

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2013-14, 2013-15, and 2013-16 to be material weaknesses.

Other Matters

We noted a certain matter regarding statutory compliance that we reported to the management of Woods County, which is included in Section 2 of the schedule of findings and questioned costs contained in this report.

Woods County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit 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., section 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 QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

SECTION 1—Summary of Auditor’s Results

Financial Statements

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

Internal control over financial reporting:

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

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

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?..... Yes
- Significant deficiency(ies) identified? None reported

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

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

Identification of Major Programs

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|------------------------------------------------------------------------------------------------------|
| 14.255 | Community Development Block Grant/State’s program and Non- Entitlement Grants in Hawaii (ARRA) |

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

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

**WOODS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

SECTION 2—Findings related to the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Finding 2013-1 - 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 QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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 QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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 2013-5 - 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 \$2,263,711 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, Avarad Account, Emergency Management, and CDBG Grant – Avarad Rail Project.

**WOODS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

The totaled disbursed from these accounts is \$9,829,970, which is 85% of the total disbursements.

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 2013-6 - Inadequate Internal Controls and Noncompliance Over the Disbursement Process (Repeat Finding)

Condition: During a test of 52 purchase orders, we noted the following weakness regarding the disbursement process:

**WOODS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

- Unauthorized County personnel are allowed to make purchases.
- We noted three instances in which adequate documentation was not provided to support all cash disbursements.

| Fund | Purchase Order Number | Warrant Number | Purpose |
|---------------------|-----------------------|----------------|-------------|
| County General Fund | 3409 | 1842 | Roof Repair |
| County Highway Fund | 1040 | 0542 | Rock |
| County Highway Fund | 1268 | 0808 | Rock |

- There were 6 instances noted where the purchase orders were not properly encumbered.

| Fund | Purchase Order Number | Warrant Number | Purpose |
|---------------------------------|-----------------------|----------------|--------------------|
| County General Fund | 3409 | 1842 | Roof Repair |
| County Highway Fund | 1452 | 0016 | Supplies |
| County Sheriff | 4435 | 0096 | Pickup |
| CDBG Grant – Avard Rail Project | 1053 | 0001 | Avard Rail Project |
| CDBG Grant – Avard Rail Project | 1054 | 0002 | Avard Rail Project |
| CDBG Grant – Avard Rail Project | 1411 | 0003 | Avard Rail Project |

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.

Additionally,

- There were three instances noted where timesheets were not approved by a supervisor and one instance was noted where the payroll claim was not approved by the officer.
- There was one instance 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 QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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 1st Deputy who enters the hours into an Excel spreadsheet and balances with the Payroll/Accounting Supervisor.

County Sheriff: All timesheets have been reviewed and signed. Future timesheets will be signed at the time they are turned in to the Sheriff.

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 QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Finding 2013-7 – Inadequate Internal Controls and Noncompliance Over Discrete Presentation of Sales Tax Activity (Repeat Finding)

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

The County apportioned \$2,948,045 in sales tax collections during the fiscal year ended June 30, 2013. 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 QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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 2013-9 - Inadequate Internal Controls and Noncompliance Over the Competitive Bidding Process (Repeat Finding)

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 #12-13-01
 - The proof of publication could not be located.
- Bid #12-13-07
 - One of the bids that was accepted was not time and date stamp 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 QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

Finding 2013-14 - Inadequate Internal Controls Over Major Federal Programs – Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii (ARRA)

PASS THROUGH GRANTOR: Oklahoma Department of Commerce

FEDERAL AGENCY: U. S. Department of Housing and Urban Development

CFDA NO: 14.255

FEDERAL PROGRAM NAME: Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii (ARRA)

FEDERAL AWARD YEAR: FY2009

CONTROL CATEGORY: A. Activities Allowed or Unallowed; B. Allowable Costs/Cost Principles; C. Cash Management; D. Davis-Bacon Act; F – Equipment and Real Property Management; G. Matching,

**WOODS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Level of Effort, Earmarking; H. Period of Availability of Federal Funds; I. Procurement and Suspension and Debarment; J. Program Income; K/ Real Property Acquisition/Relocation Assistance; L. Reporting; M. Subrecipient Monitoring and N. Special Tests and Provisions

QUESTIONED COSTS: \$-0-

Condition: During the process of documenting the County's internal controls over procedures regarding federal disbursements, we noted the County has not established procedures to ensure compliance with the following compliance requirements: A. Activities Allowed or Unallowed; B. Allowable Costs/Cost Principles; C. Cash Management; D. Davis-Bacon Act; F – Equipment and Real Property Management; G. Matching, Level of Effort, Earmarking; H. Period of Availability of Federal Funds; I. Procurement and Suspension and Debarment; J. Program Income; K/ Real Property Acquisition/Relocation Assistance; L. Reporting; M. Subrecipient Monitoring and N. Special Tests and Provisions.

Cause of Condition: Internal controls have not been designed and implemented with regard to ensuring compliance requirements of federal grants are met by the County due to management being unaware of the need for such internal controls.

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

Recommendation: OSAI recommends Woods County gain an understanding of requirements for these programs and implement internal controls to ensure compliance with requirements. OSAI further recommends the County utilize available resources, such as the website, www.cfda.gov, to develop controls to ensure compliance with restrictions and guidelines as set forth for the types of grants received.

Management Response:

District 1 Commissioner: I will try to see that County Clerk or Commissioner clearly understand what the criteria is.

District 2 Commissioner: Gaining knowledge of grant requirements will be a priority, and pursued to become compliant.

District 3 Commissioner: Management chose not to respond.

County Clerk: The advisor for the federal grant was Dan Batchelor with Center for Economic Development Law (405-232-4606).

In the future any federal grants applied for by the County, the County will obtain a better understanding for these programs.

Criteria: *OMB Circular A-133 Subpart C §__.300* reads as follows:

Subpart C-Auditees

§__.300 Auditee responsibilities

The auditee shall:

**WOODS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

Further, accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designed to monitor compliance with laws and regulations pertaining to grant contracts.

Finding 2013-15 - Inadequate County-Wide Controls Over Federal Major Programs – Community Development Block Grants/State’s program and Non-Entitlement Grants in Hawaii (ARRA)

PASS-THROUGH GRANTOR: Oklahoma Department of Commerce

FEDERAL AGENCY: U. S. Department of Housing and Urban Development

CFDA NO: 14.255

FEDERAL PROGRAM NAME: Community Development Block Grant /State’s Program and Non-Entitlement Grants in Hawaii (ARRA)

FEDERAL AWARD YEAR: FY2009

CONTROL CATEGORY: A. Activities Allowed or Unallowed; B. Allowable Costs/Cost Principles; C. Cash Management; D. Davis-Bacon Act; F. Equipment and Real Property Management; G. Matching, Level of Effort, Earmarking; H. Period of Availability of Federal Funds; I. Procurement and Suspension and Debarment; J. Program Income; K. Real Property Acquisition/Relocation Assistance; L. Reporting; M. Subrecipient Monitoring and N. Special Tests and Provisions

QUESTIONED COSTS: \$-0-

Condition: County-wide controls regarding Control Environment, Risk Assessment, Information and Communication, and Monitoring have not been designed.

Cause of Condition: Procedures have not been designed to address the risk of the County.

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

Recommendation: OSAI recommends Woods County design procedures for internal controls and to identify and address risks. OSAI also recommends that the County have more communication and design monitoring procedures to assess the quality of performance over time. These procedures should be written policies and procedures and could be included in the County’s policies and procedures handbook.

Management Response:

District 1 Commissioner: We will put together a checklist of safeguards to check off to see that all requirements are met for Federal funds.

**WOODS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

District 2 Commissioner: Gaining knowledge of grant requirements will be a priority, and pursued to become compliant.

District 3 Commissioner: Management chose not to respond.

County Clerk: In the future any federal grants applied for by the County, the County will obtain a better understanding for these programs.

County Treasurer: In the past, this process was controlled by the County Clerk and County Commissioners. We are now producing controls which include the Commissioners, the Commissioners' Secretary, Emergency Management Director (when applicable), the County Clerk, and the Treasurer. Preliminary resolutions of procedures have already been adopted by the BOCC and the discussion of risk, policies and controls resume in our Monthly Officer Meetings.

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.

Finding 2013-16 - Management Override of Procurement Procedures for Federal Major Programs – Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii (ARRA)

PASS-THROUGH GRANTOR: Oklahoma Department of Commerce

FEDERAL AGENCY: U. S. Department of Housing and Urban Development

CFDA NO: 14.255

FEDERAL PROGRAM NAME: Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii (ARRA)

FEDERAL AWARD YEAR: FY2009

CONTROL CATEGORY: Procurement and Suspension and Debarment

QUESTIONED COSTS: \$-0-

Condition: During our review of the disbursement process for federal major programs we noted that the three County Commissioners sign blank purchase orders authorizing the encumbrance and purchase 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.

Further, the three purchase orders tested were encumbered after the invoice date.

**WOODS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Cause of Condition: Procedures with regard to compliance requirements for federal major programs have not been designed due to the officials being unaware of the necessity of such procedures.

Effect of Condition: This condition could result in noncompliance to grant requirements. The County Commissioners have created inadequate internal controls over procurement 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 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. We further recommend that the funds be encumbered prior to the receipt of goods or services.

Management Response:

District 1 Commissioner: We will cease the practice of signing blank purchase orders.

District 2 Commissioner: Gaining knowledge of grant requirements will be a priority, and pursued to become compliant.

District 3 Commissioner: Management chose not to respond.

County Clerk: The Purchasing Agent prints the purchase orders on unsigned purchase orders for the County Commissioners to approve and sign daily. The Purchasing Agent sends the unsigned purchase order with the Commissioner's secretary for the Commissioner to sign. After approval the secretary brings them back to the Purchasing Agent to be distributed.

Criteria: *OMB Circular A-133 Subpart C §__.300* reads as follows:

Subpart C-Auditees

§__.300 Auditee responsibilities

The auditee shall:

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

Further, accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designed to monitor compliance with laws and regulations pertaining to grant contracts.

**WOODS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

Finding 2013-12 - Inadequate Internal Controls and Noncompliance Over Fixed Assets Inventory and Consumable Items Inventory (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.
- 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.

**WOODS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

- 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.
- 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.

**WOODS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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.

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.



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

WWW.SAI.OK.GOV