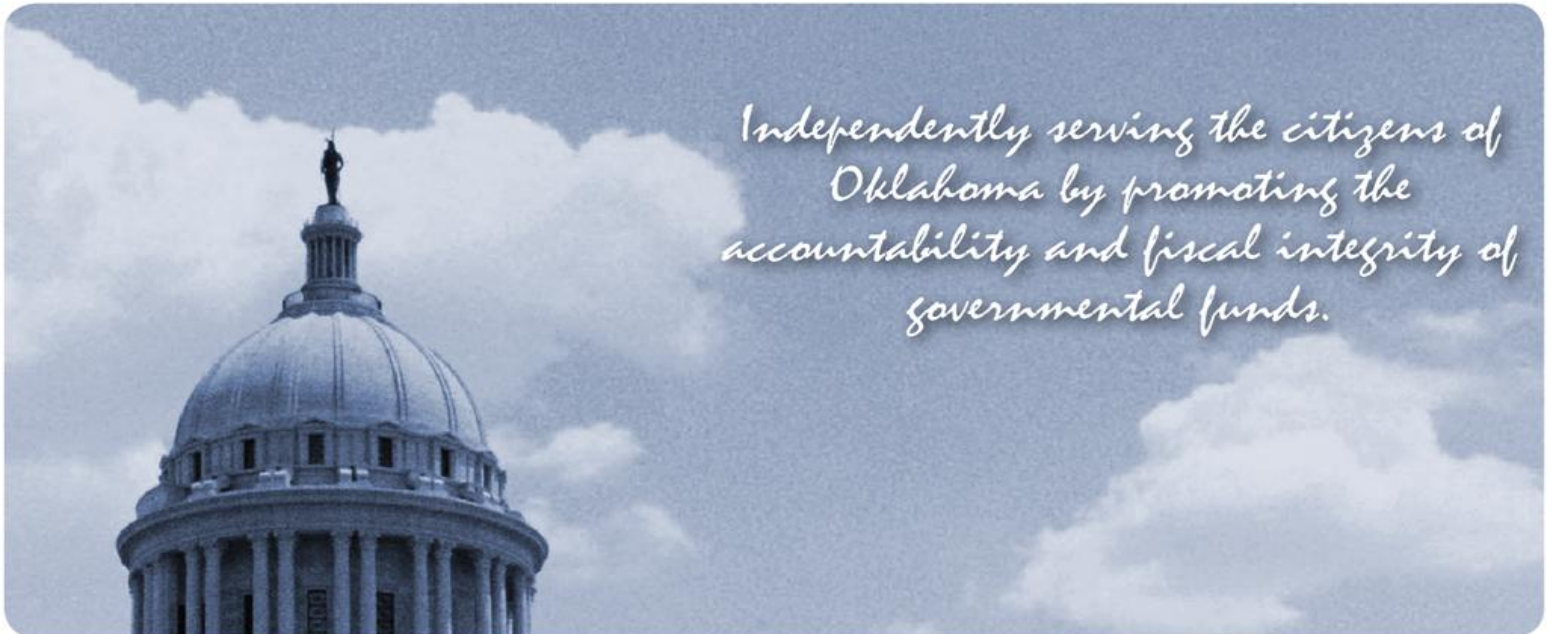


COUNTY AUDIT

WOODS COUNTY

For the fiscal year ended June 30, 2015



*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, 2015**

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 7, 2016

TO THE CITIZENS OF
WOODS COUNTY, OKLAHOMA

Transmitted herewith is the audit of Woods County, Oklahoma for the fiscal year ended June 30, 2015. The audit was conducted in accordance with 19 O.S. § 171.

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

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

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

Sincerely,

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

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

**WOODS COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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.....	10
Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—County Health Department Fund	12
Combining Statement of Receipts, Disbursements, and Changes in Cash Balances—Regulatory Basis—Remaining Aggregate Funds	13
Notes to Other Supplementary Information	14

**WOODS COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

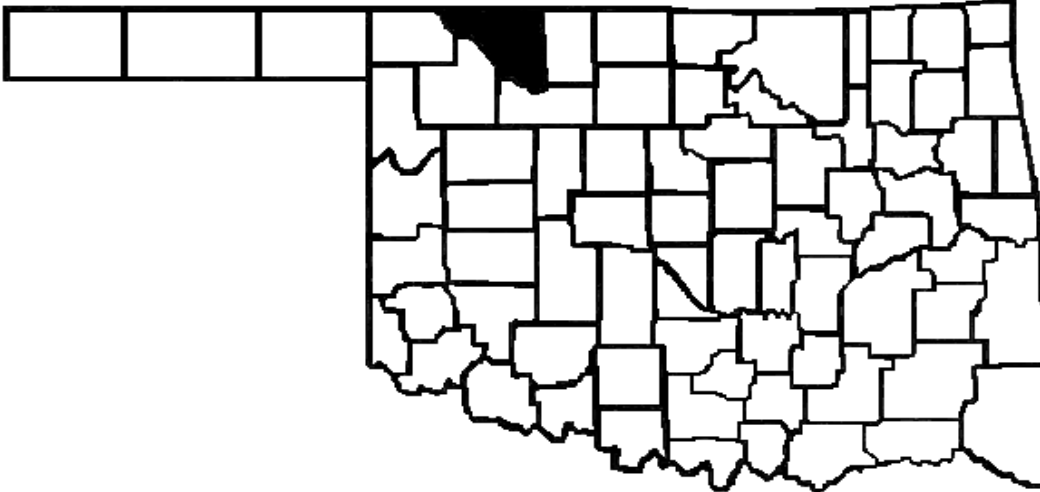
INTERNAL CONTROL AND COMPLIANCE SECTION

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

Schedule of Findings and Responses..... 18

**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, 2015**



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 – 9,288
(2014 est.)

Farms – 751

Land in Farms – 808,463 Acres

Primary Source: Oklahoma Almanac 2015-2016

**WOODS COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Board of County Commissioners

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

County Assessor

Renetta Benson

County Clerk

Shelley Reed

County Sheriff

Rudy Briggs, Jr.

County Treasurer

David Manning

Court Clerk

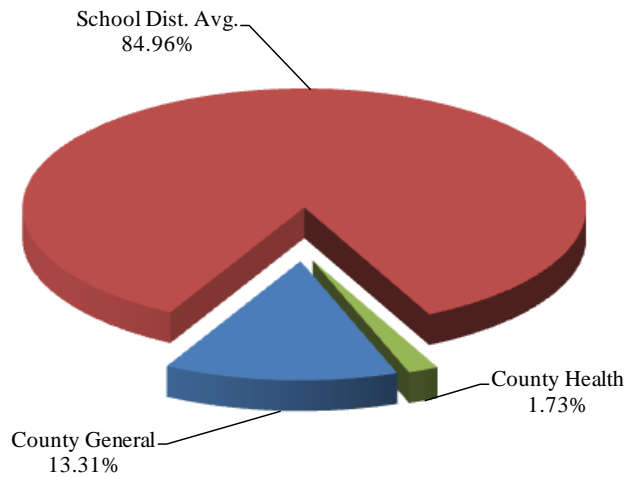
Staci Davey

District Attorney

Christopher M. Boring

**WOODS COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

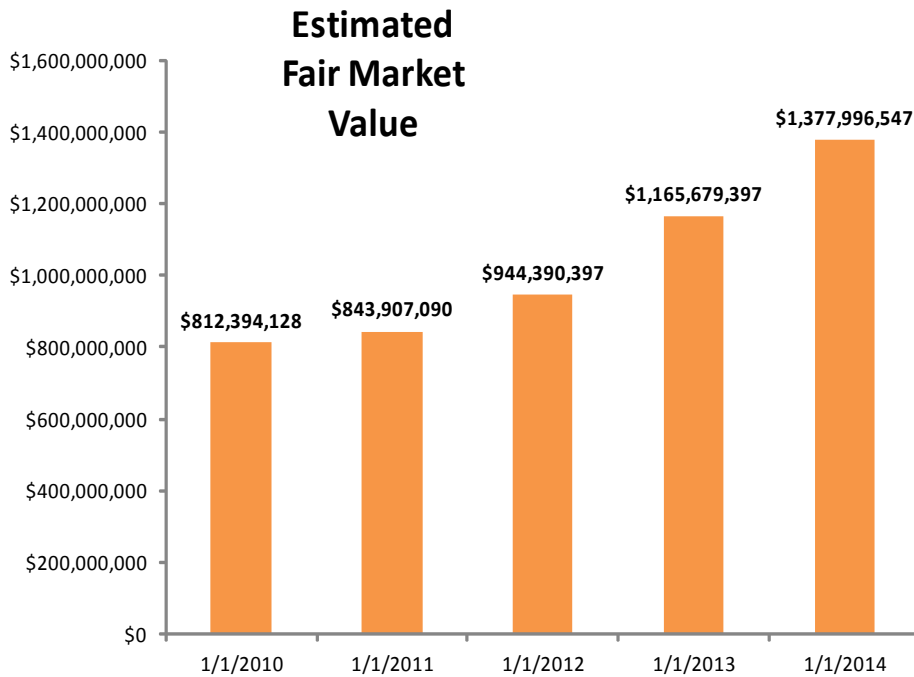
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the 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								
				Gen.	Bldg.	Skg.	Career	Tech	Common	Total
County General	10.56									
County Health	1.37	Alva City	I-1	36.48	5.21	2.59		13.73	4.22	62.23
		Waynoka	I-3	37.64	5.38	3.48		13.73	4.22	64.45
		Freedom	I-6	38.64	5.52	2.25		13.73	4.22	64.36
		Joint 46 Alfalfa	J-46A	35.00	5.00	15.76		13.73	4.22	73.71
		Joint 4 Major	J-4M	38.90	5.56	9.82		13.73	4.22	72.23

**WOODS COUNTY, OKLAHOMA
 ASSESSED VALUE OF PROPERTY
 TREND ANALYSIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

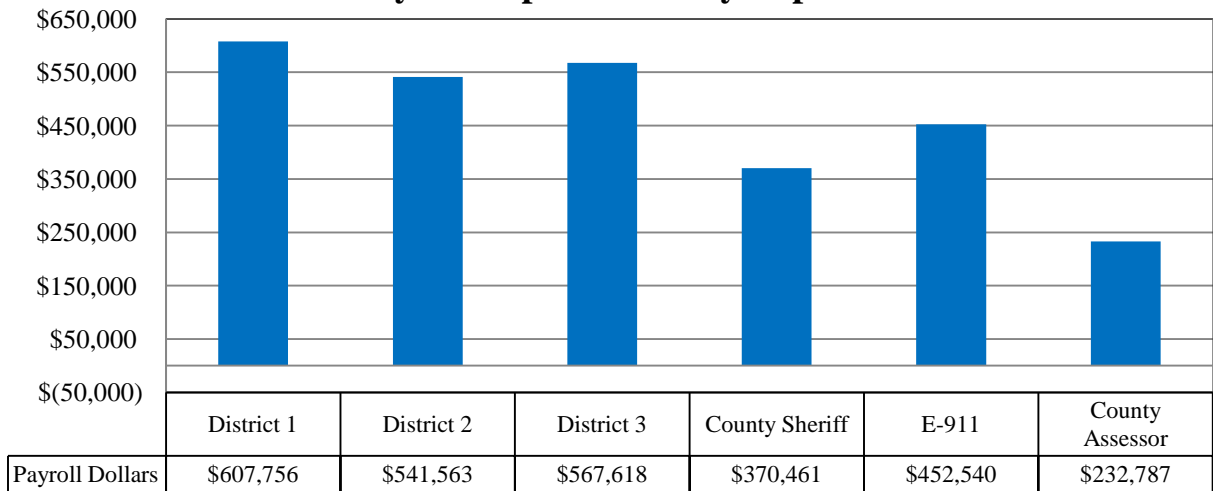
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2014	\$98,011,022	\$26,552,911	\$51,178,764	\$1,984,806	\$173,757,891	\$1,377,996,547
1/1/2013	\$77,630,661	\$23,318,295	\$47,921,396	\$2,034,416	\$146,835,936	\$1,165,679,397
1/1/2012	\$53,824,997	\$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



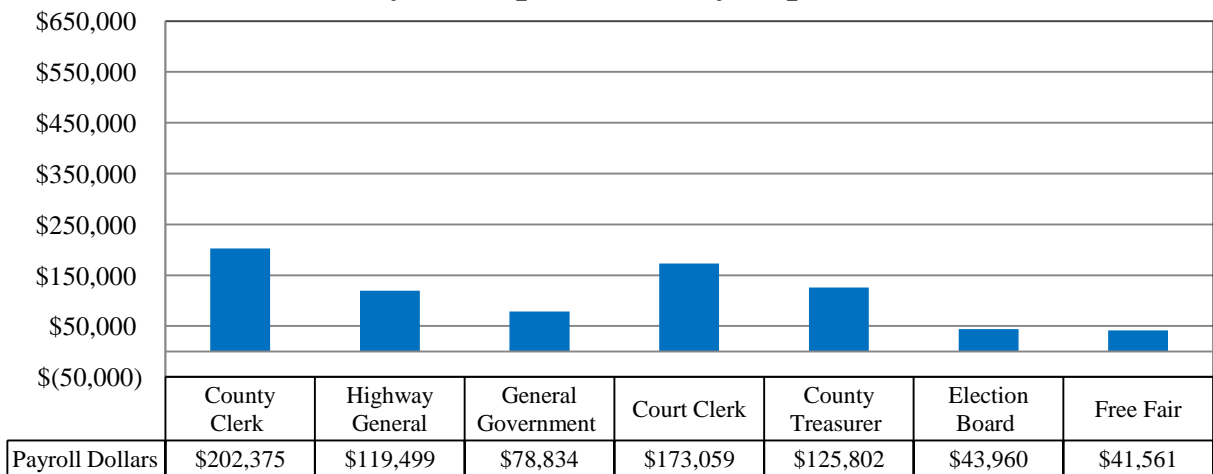
**WOODS COUNTY, OKLAHOMA
COUNTY PAYROLL EXPENDITURES ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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, 2015.

Payroll Expenditures by Department



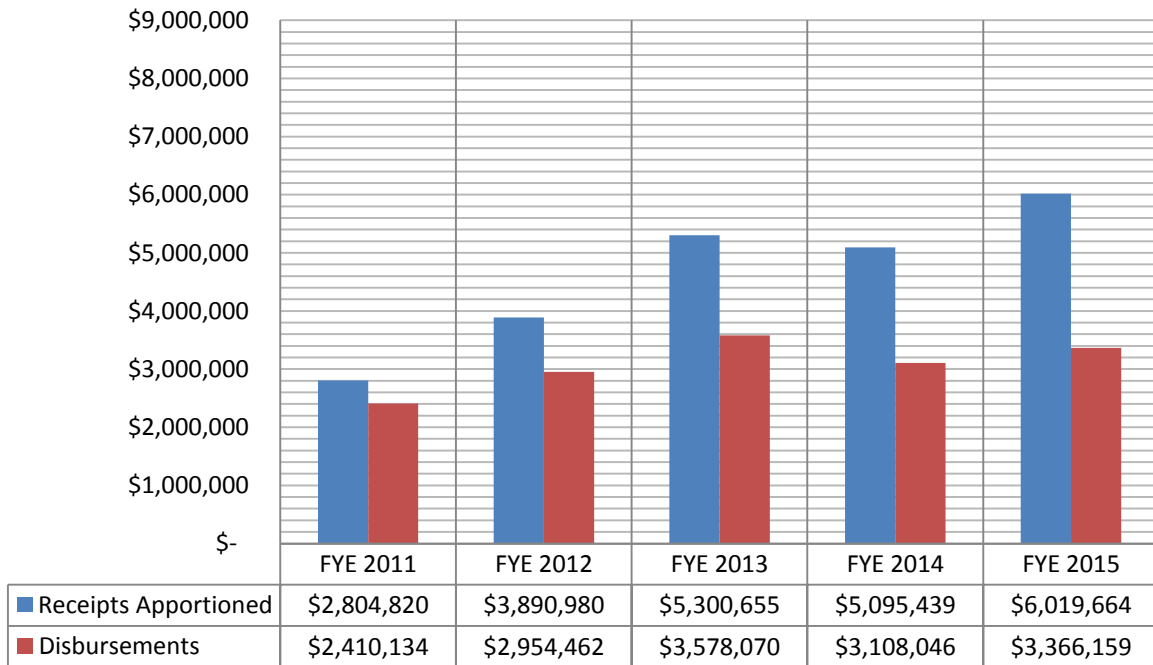
Payroll Expenditures by Department



**WOODS COUNTY, OKLAHOMA
COUNTY GENERAL FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

County General Fund

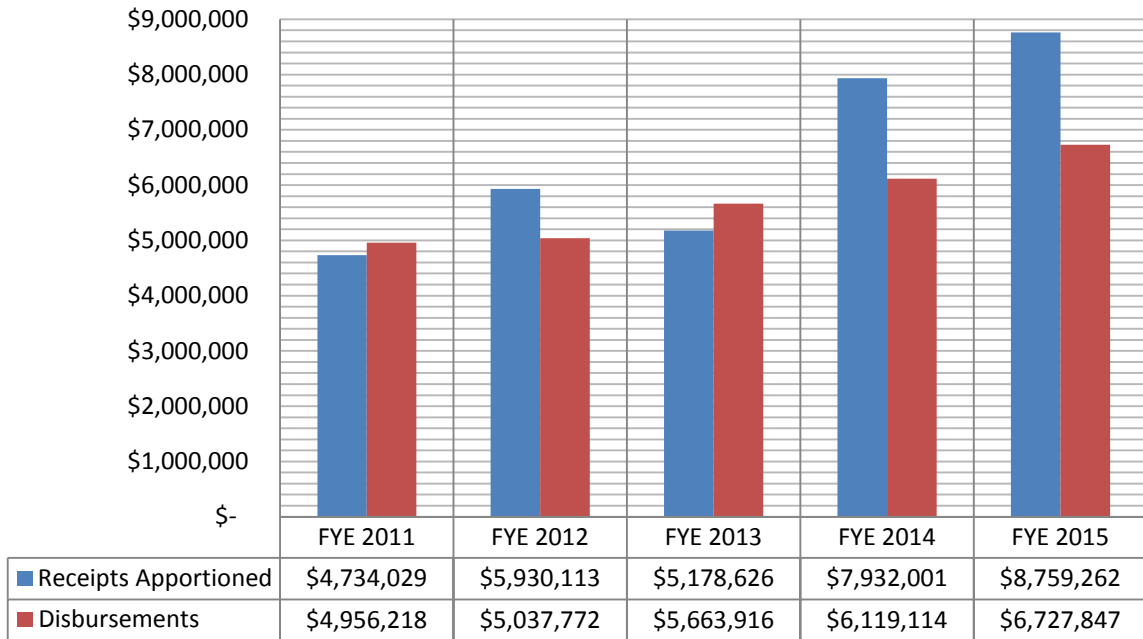
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also 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, 2015**

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, 2015, and the related notes to the financial statement, which collectively comprise the County's basic financial statement as listed in the table of contents.

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, 2015, 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, 2015, in accordance with 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 Other Supplementary Information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statement.

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 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 6, 2016, 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 6, 2016

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, 2015

	Beginning Cash Balances July 1, 2014	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2015
Combining Information:				
Major Funds:				
County General Fund	\$ 7,477,028	\$ 6,019,664	\$ 3,366,159	\$ 10,130,533
County Highway Fund	4,348,960	8,759,262	6,727,847	6,380,375
County Health Department	196,791	240,906	128,491	309,206
E-911	39,777	379,411	353,846	65,342
County Bridge and Road Improvement Fund 105	816,635	361,083	544,317	633,401
Remaining Aggregate Funds	1,655,861	354,044	166,852	1,843,053
Combined Total - All County Funds	<u>\$ 14,535,052</u>	<u>\$ 16,114,370</u>	<u>\$ 11,287,512</u>	<u>\$ 19,361,910</u>

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, 2015**

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.

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

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

**WOODS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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, 2015**

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, 2015**

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.

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

D. Long Term Obligations

1. General Obligation Bonds

The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. Debt service on the bonds will be paid from the Woods County General Fund.

Avard Regional Rail Park Authority – Bonds in the amount of \$300,000 were issued January 1, 2013, for the purpose of constructing a rail park.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds are required to be fully paid within 5 years from the date of issue. General obligation bonds currently outstanding are as follows:

Purpose	Interest Rate	Original Amount
Avard Regional Rail Park Authority	1.1925000%	\$300,000

Beginning Balance	Additions	Reductions	Ending Balance	Amount due within one year
\$180,000	\$ - 0-	\$60,000	\$120,000	\$60,000

During fiscal year 2015, payments included \$60,000 for principal, \$1,170 interest, and \$175 in fees.

Annual debt service requirements to maturity for general obligation bonds, including interest of \$1,290 are as follows:

**WOODS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Fiscal Year Ending June 30,	Principal	Interest	Total
2016	\$ 60,000	\$ 840	\$ 60,840
2017	60,000	450	60,450
Total	<u>\$120,000</u>	<u>\$1,290</u>	<u>\$121,290</u>

E. Sales Tax

The voters of Woods County approved a permanent one-half percent (1/2%) sales tax effective April 1, 1992. This sales tax was established to provide revenue for the general operations. These funds are accounted for in 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, 2015

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 7,474,528	\$ 7,477,028	\$ 2,500
Less: Prior Year Outstanding Warrants	(118,080)	(118,080)	-
Less: Prior Year Encumbrances	(54,424)	(33,757)	20,667
Beginning Cash Balances, Budgetary Basis	<u>7,302,024</u>	<u>7,325,191</u>	<u>23,167</u>
Receipts:			
Ad Valorem Taxes	1,662,980	1,745,089	82,109
Charges for Services	-	137,591	137,591
Intergovernmental Revenues	-	730,810	730,810
Sales Tax	-	3,206,753	3,206,753
Miscellaneous Revenues	-	199,421	199,421
Total Receipts, Budgetary Basis	<u>1,662,980</u>	<u>6,019,664</u>	<u>4,356,684</u>
Expenditures:			
District Attorney	1,000	1,000	-
County Sheriff	664,650	539,784	124,866
County Treasurer	138,661	138,243	418
County Commissioners	425,000	260,507	164,493
County Commissioners OSU Extension	56,296	37,208	19,088
County Clerk	207,000	206,565	435
Court Clerk	147,360	143,229	4,131
County Assessor	166,415	164,652	1,763
Revaluation of Real Property	174,464	153,907	20,557
Juvenile Shelter Bureau	7,000	4,968	2,032
E-911	178,000	149,254	28,746
General Government	1,267,500	445,912	821,588
Excise-Equalization Board	8,200	4,082	4,118
County Election Board	62,448	52,281	10,167
Insurance - Benefits	1,414,650	737,468	677,182
Charity	2,500	-	2,500
Building Sales Tax	3,694,537	98,363	3,596,174
Emergency Management Sales Tax Account	185,000	137,605	47,395
County Audit Budget Account	17,323	-	17,323
Free Fair Sales Tax Budget Account	143,500	126,526	16,974
Avard Sales Tax	3,500	2,762	738
Total Expenditures, Budgetary Basis	<u>8,965,004</u>	<u>3,404,316</u>	<u>5,560,688</u>

Continued on next page

**WOODS COUNTY, OKLAHOMA
 COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
 CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
 GENERAL FUND - CONTINUED
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	General Fund		
	Budget	Actual	Variance
Continued from previous page			
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	9,940,539	\$ 9,940,539
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		122,734	
Add: Current Year Encumbrances		67,260	
Ending Cash Balance		\$ 10,130,533	

**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, 2015**

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 196,791	\$ 196,791	\$ -
Less: Prior Year Outstanding Warrants	(1,204)	(1,204)	-
Less: Prior Year Encumbrances	(955)	(955)	-
Beginning Cash Balances, Budgetary Basis	194,632	194,632	-
Receipts:			
Ad Valorem Taxes	215,747	226,399	10,652
Charges for Services	458	458	-
Intergovernmental Revenues	-	11,981	11,981
Miscellaneous Revenues	-	2,068	2,068
Total Receipts, Budgetary Basis	216,205	240,906	24,701
Expenditures:			
Health and Welfare	410,837	167,134	243,703
Total Expenditures, Budgetary Basis	410,837	167,134	243,703
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	268,404	\$ 268,404
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		1,357	
Add: Current Year Outstanding Warrants		39,445	
Ending Cash Balance		\$ 309,206	

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, 2015

	Beginning Cash Balances July 1, 2014	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2015
Remaining Aggregate Funds:				
Sheriff Service Fee	\$ 406,526	\$ 85,649	\$ 18,010	\$ 474,165
Fair Trophies and Rewards	166,415	56,778	3,782	219,411
Court Clerk Salary	10,144	51,245	50,923	10,466
County Clerk Lien Fee	322,239	37,412	15,545	344,106
Sheriff Revolving Fund	366,402	37,350	6,043	397,709
County Clerk Records Preservation Fee	118,816	29,500	12,618	135,698
Resale Property	112,254	19,815	25,365	106,704
Emergency Management	40,006	15,183	22,691	32,498
Sheriff Courthouse Security	61,326	11,220	8,027	64,519
Assessor Revolving Fee	29,758	7,347	2,697	34,408
Treasurer Mortgage Tax Certification Fee	17,627	1,545	509	18,663
LEPC	-	1,000	642	358
Juvenile Affairs Grant	2,439	-	-	2,439
Community Service Sentencing Program	250	-	-	250
Litter Reward Revolving	82	-	-	82
Special Insurance	1,577	-	-	1,577
Combined Total - Remaining Aggregate Funds	\$ 1,655,861	\$ 354,044	\$ 166,852	\$ 1,843,053

**WOODS COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

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

Court Clerk Salary – accounts for the collection of a Court Clerk's Deputy's salary to be processed through County payroll.

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

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.

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

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

**WOODS COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

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.

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

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

LEPC – accounts for the collection and disbursement of revenue received from the State of Oklahoma for Local Emergency Planning Committee.

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 Oklahoma Department of Corrections for administrative expenses and supervision of offenders.

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

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

INTERNAL CONTROL AND COMPLIANCE SECTION



Oklahoma State Auditor & Inspector

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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, 2015, 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 7, 2016.

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, 2015, 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 responses, 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 responses to be material weaknesses: 2015-1, 2015-6, and 2015-7.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency: 2015-9.

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 responses as items 2015-7 and 2015-9.

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

Woods County's Responses to Findings

Woods County's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. 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 7, 2016

**WOODS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

SECTION 1—Findings related to the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Finding 2015-1 – Inadequate County-Wide Controls (Repeat Finding)

Condition: Documentation of county-wide internal controls has not been prepared.

Cause of Condition: Management has not prepared the documentation of county-wide controls.

Effect of Condition: Without written documentation of the county-wide controls it is more difficult to retain organizational knowledge, communicate that knowledge to personnel, indicate what internal controls are present and monitor those controls. (This comes from 3.10 and 3.11 of the Green Book).

Recommendation: We recommend that the county document the county-wide controls in a written format. We further recommend that the documentation address the 17 principles that cover Control Environment, Risk Assessment, Control Activities, Information and Communication, Control Activities, and Monitoring.

Management Response:

County Clerk: Now that this has been brought to our attention, I will place an item on the agenda for the officers' meetings and we will begin to document county wide controls. I have begun to assemble some of the necessary information and documents as it is brought to my attention.

County Treasurer: We will work on documenting in more detail the daily controls and we will be more diligent on monitoring those controls.

District 1 Commissioner: I will continue to educate myself on what the Green Book has to say about county-wide controls. I will also to continue to participate in Officers' meeting.

District 2 Commissioner: We have already started working on documenting the County Wide Controls.

District 3 Commissioner: I understand the condition and I will work on documenting county wide controls.

County Sheriff: I will continue to participate in Officers' meeting and work on county-wide controls.

County Assessor: I will continue to participate in the Officers' meetings.

Court Clerk: I will begin the process of meeting the requirements of county-wide controls set forth by the Green Book.

**WOODS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Criteria: Management is responsible for the development and maintenance of its internal control system. The internal control system provides reasonable assurance that the objectives of effectiveness and efficiency of operations, reliability of financial reporting and compliance with laws and regulations are being satisfied. Internal controls also serve as the first line of defense in the safeguarding of assets and preventing and detecting errors and fraud.

Finding 2015-6 – Management Override of Purchasing Procedures (Repeat Finding)

Condition: During the 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 \$996,123 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, and Emergency Management.

The total disbursed from these accounts is \$4,946,378, which is 83% of the total disbursements.

Cause of Condition: For the convenience of County personnel processing purchase orders, the County Commissioners have overridden the internal controls designed but not implemented with regard to requisitioning of goods and services.

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:

County Clerk: Procedures have been designed to correct this condition.

District 1 Commissioner: I have corrected this condition and I will not requisition any blank purchase orders in the future.

District 2 Commissioner: We have corrected this condition.

**WOODS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

District 3 Commissioner: I corrected this condition when I came into office.

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 2015-7 – Inadequate Internal Controls and Noncompliance Over the Purchasing Process (Repeat Finding)

Condition: During a test of forty (40) purchase orders, we noted the following weakness regarding the disbursement process:

- There were five (5) instances noted where the purchase orders were not properly encumbered.

Fund	Name/Employee	Purpose	Warrant	Amount
CBRI Fund - 105	B & H Paving, Inc.	Supplies	20	\$84,000.00
CBRI Fund - 105	Coastal Energy Corp	Supplies	22	\$62,215.72
Highway – D3	Dietz Welding & Bridge Const., Inc.	Labor	2386	\$13,530.00
CBRI Fund - 105	Ergon Asphalt & Emulsions	Blanket P.O.	6	\$117,989.96
Highway – D3	ACG Materials	Blanket P.O.	2008	\$12,636.67

- There were three (3) instances in which adequate documentation was not provided to support all cash disbursements.

Fund	Name/Employee	Purpose	Warrant	Amount
Highway – D1	Martin Marietta Materials	Rock	411	\$8,546.58
Highway – D2	Ellis County	Equipment	1513	\$145,000.00
Highway – D2	Standridge Equipment	Supplies	692	\$36,187.42

Cause of Condition: The County did not provide adequate internal controls over purchasing procedures which resulted in noncompliance with state statutes.

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 the County practice proper purchasing procedures. All purchases should be properly requisitioned, encumbered, approved, and received with proper supporting documentation attached in accordance with Title 19 O.S. § 1505.C and 1505.E.

**WOODS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Management Response:

County Clerk: The County Clerk's office will continue to try and educate the officers and their employees to proper purchasing procedures.

District 1 Commissioner: This condition occurred prior to me taking office. I will encourage my employees to follow proper purchasing procedures.

District 2 Commissioner: We will make an attempt to encumber all funds prior to purchasing goods or services. We have made changes to ensure all documents are attached to all purchase orders.

District 3 Commissioner: I believe this condition has been corrected.

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.

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

- 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.

Finding 2015-9 – Inadequate Internal Controls and Noncompliance Over Discrete Presentation of Sales Tax Activity (Repeat Finding)

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

The County apportioned \$3,206,753 in sales tax collections during the fiscal year ended June 30, 2014. Since the county sales tax collections were commingled with other sources of revenue, we could neither determine how much county sales tax was expended nor perform a test of sales tax expenditures.

Cause of Condition: The County was aware of the situation and was deciding on how to best accomplish separating county sales tax funds from the County General Fund.

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

Management Response:

County Clerk: Starting in fiscal year 2016, county sales tax is now maintained in separate accounts within the County General Fund.

**WOODS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

County Treasurer: This condition has been corrected.

District 1 Commissioner: This condition has been corrected.

District 2 Commissioner: This condition has been corrected.

District 3 Commissioner: This condition has been corrected.

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.”

SECTION 2—This section contains certain matters not required to be reported in accordance with *Government Auditing Standards*. However, we believe these matters are significant enough to bring to management’s attention. We recommend that management consider these matters and take appropriate corrective action.

Finding 2015-5 – Inadequate Internal Controls and Noncompliance Over County Sheriff Funds Not Deposited with the County Treasurer (Repeat Finding)

Condition: The County Sheriff maintains a “Drug Task Force” bank account outside the control of the County Treasurer. The Treasurer does not carry this fund on the general ledger. The County Treasurer is not the custodian of this fund, nor is he on the signature card.

Cause of Condition: The account was established to obtain immediate access to cash for drug investigations.

**WOODS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Effect of Condition: This condition resulted in noncompliance with the state statute and could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriations of funds not being detected in a timely manner.

Recommendation: OSAI recommends that the Drug Task Force Fund be established as a cash voucher fund in order to provide more internal controls over this account and be in compliance with state statutes.

Management Response:

County Treasurer: I will work with the Sheriff to place the Drug Task Force money on the general ledger.

County Sheriff: I will work with the County Treasurer and County Clerk to move the money into the custody of the Treasurer.

Criteria: Title 19 O.S. § 681 states, “The county treasurer is hereby designated and made the official depository for all monies, funds, rentals, penalties, costs, proceeds of sale of property, fees, fines, forfeitures and public charges of every kind that may be received by any county officer, county board, county commission, or by any employee of either of such officers, boards or commissions by virtue or under color of office, and the said county treasurer shall be responsible on his official bond for the faithful performance of duty as such official depository.”

Finding 2015-11 – Inadequate Internal Controls and Noncompliance Over Fixed Assets

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

- The County Clerk, County Sheriff, and District 3 physical inventory verifications are performed by the same individual that is responsible for maintaining the inventory records.
- Documentation of an annual inventory was not maintained by the County Clerk, County Assessor, County Sheriff, District 1, and District 2.
- A test of ten (10) fixed assets for the County Sheriff reflected the following exceptions:
 - Four (4) items did not have the County identification number affixed to the equipment.
- A test of ten (10) fixed assets for the District 1 reflected the following exceptions:
 - Four (4) items did not have the County identification number affixed to the equipment.
 - One (1) item was marked with the incorrect County identification number.
 - Four (4) items were not properly identified as “Property of Woods County.”
- A test of ten (10) fixed assets for the District 2 reflected the following exceptions:
 - Two (2) items did not have the County identification number affixed to the equipment.

**WOODS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

- Ten (2) items were not properly identified as “Property of Woods County.”

Cause of Condition: Policies and procedures have not been designed and implemented by County Officers to perform and document annual fixed assets 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.

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.

Management Response:

County Clerk: I will have an employee independent of the record keeping process perform the annual verification of fixed assets. I will have the employee sign and date the annual verification of fixed assets.

District 1 Commissioner: I will ensure all equipment, in my district, is marked with the County Identification number and Property of Woods County. My District will maintain a signed annual verification of fixed assets.

District 2 Commissioner: I will work on making sure all assets are properly marked and we will retain the documentation of the annual verification of fixed assets.

District 3 Commissioner: I will have my foreman perform the annual fixed asset verification.

County Sheriff: My office will conduct yearly asset verification and ensure all items are marked with a County identification number.

County Assessor: I will make sure the employees sign and date the annual fixed asset verification.

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

Title 19 O.S. § 178.1 states in part, “The board of county commissioners in each county of this state shall take, or cause to be taken, an inventory of all working tools, apparatus, machinery and equipment belonging to the county or leased or otherwise let to it or to any department thereof, other than that which is affixed to and made a part of lands and

**WOODS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

buildings, the cost of which as to each complete working unit thereof is more than Five Hundred Dollars (\$500.00), and thereafter maintain or cause to be maintained a continuous inventory record thereof and of like tools, apparatus, machinery and equipment purchased, leased or otherwise coming into the custody of the county or of any office, board, department, commission...”

Title 19 O.S. § 1502(A) (1) which requires a prescribed uniform identification system for all supplies, materials, and equipment of a county used for maintenance for roads and bridges.

Title 19 O.S. § 1502(B) (1) which requires a prescribed uniform identification system for all supplies, materials, and equipment of a county not used in the construction and maintenance for roads and bridges.

Title 69 O.S. § 645 which require all county owned, rented, or leased road machinery or equipment be clearly and visibly marked “Property Of...”

Finding 2015-12 – Inadequate Internal Controls and Noncompliance Over Consumable Inventories

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

District 1 Commissioner:

- Fuel logs are maintained; however, the fuel logs are not reconciled to the actual fuel on hand.
- Two (2) of the five (5) consumable items selected could not physically be verified to the number of items on hand.

District 2 Commissioner:

- One employee is responsible for receiving consumable items, maintaining stock cards, and transferring documents.
- A monthly inventory count of consumable items is not performed.
- One (1) of the five (5) consumable items selected from the stock cards, could not be located.

District 3 Commissioner:

- One employee is responsible for receiving consumable items, maintaining stock cards, and transferring documents.
- A monthly inventory count of consumable items is not performed.

Cause of Condition: Policies and procedures have not been designed and implemented by County Commissioners to perform and document monthly consumable inventory counts to ensure compliance with the state statute.

Effect of Condition: These conditions resulted in noncompliance with state statute. When consumable inventory items are not adequately monitored and inadequate segregation of duties exist, the opportunity

**WOODS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

for the misappropriation of consumable items and undetected errors in accounting for consumable items could result.

Recommendation: OSAI recommends that management implement internal controls to ensure compliance with 19 O.S. § 1504A with regard to accounting for consumable inventories. Additionally, the key functions of receiving duties and inventory control duties should be performed by separate employees in order to efficiently segregate those duties.

Management Response:

District 1 Commissioner: Weekly fuel logs will be reconciled to the fuel on hand. Consumable inventory counts will be performed monthly.

District 2 Commissioner: I will diligently work to correct these conditions and I will make changes to procedures in my District to ensure these conditions have been corrected.

District 3 Commissioner: I will have my foreman perform a monthly inventory of consumable inventory.

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

Title 19 O.S. 1504A states, "A receiving officer shall receive all purchased, lease-purchased or rented items procured for the department and shall identify such items received in a manner prescribed by the county road and bridge inventory officer or board of county commissioners or designee. The receiving officer shall also maintain a record of all such items received, disbursed, stored and consumed by the department.



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