



WOODS COUNTY

Financial Audit

For the fiscal year ended June 30, 2017

Cindy Byrd, CPA
State Auditor & Inspector

**WOODS COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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Cindy Byrd, CPA | State Auditor & Inspector

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June 27, 2019

TO THE CITIZENS OF
WOODS COUNTY, OKLAHOMA

Transmitted herewith is the audit of Woods County, Oklahoma for the fiscal year ended June 30, 2017. 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 that reads "Cindy Byrd". The signature is fluid and cursive, with the first and last names clearly legible.

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



**WOODS COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Board of County Commissioners

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

County Assessor

Renetta Benson

County Clerk

Shelley Reed

County Sheriff

Rudy Briggs Jr.

County Treasurer

David Manning

Court Clerk

Staci Davey

District Attorney

Christopher M. Boring

**WOODS COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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ITEMS OF INTEREST

Finding 2017-003 – Inadequate Internal Controls Over Disbursements: No one verifies the legitimacy of new vendors submitted by the requisition officer. After reviewing purchase orders, OSAI noted instances in which fraudulent invoices were submitted by District 2 to the County Clerk for payment. This information has also been submitted to the District Attorney for further review. **(Pg. 21)**

**WOODS COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Finding 2017-015 – Inappropriate Recording of Revenue and Expenditures: During the review and reconciliation of the financial statement as initially prepared by the County as well as interviews with management, it was noted that the financial statement contained inappropriate revenue and expenditures. Instead of interfund transfers and operational transfers, the County creates purchase orders from one fund or account, and deposits it into another fund or account. **(Pg. 26)**

FINANCIAL SECTION

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, 2017, 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 misstatements 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, 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, 2016, or changes in financial position for the year then ended.

Unmodified 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, 2017, in accordance with the basis of accounting described in Note 1.

Other Matters

Supplementary and 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 are not a required part of the financial statement.

The other supplementary information 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 is fairly stated, in all material respects, in relation to the financial statement.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2019 on our consideration of Woods County’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness

of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Woods County's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Cindy Byrd". The signature is written in a cursive, flowing style.

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

June 26, 2019

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, 2017

	Beginning Cash Balances July 1, 2016	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2017
Combining Information:						
Major Funds:						
County General Fund	\$ 11,027,029	\$ 3,915,806	\$ 1,727	\$ -	\$ 3,759,318	\$ 11,185,244
County Highway Fund	6,154,183	6,682,936	-	385,840	6,656,123	5,795,156
County Health Department	399,094	297,004	-	-	234,748	461,350
E-911	79,618	259,738	-	-	266,055	73,301
County Bridge and Road Improvement Fund 105	509,987	302,484	-	-	296,955	515,516
Remaining Aggregate Funds	1,917,885	295,769	-	1,727	248,458	1,963,469
Combined Total - All County Funds	\$ 20,087,796	\$ 11,753,737	\$ 1,727	\$ 387,567	\$ 11,461,657	\$ 19,994,036

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, 2017**

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 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 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, 2017**

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, 2017**

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

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

3. Other Information

A. Pension Plan

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

**WOODS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

B. Other Post Employment Benefits (OPEB)

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

C. Contingent Liabilities

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

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

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

**WOODS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

During fiscal year 2017, payments included \$120,000 for principal, \$1,290 interest, and \$350 in fees.

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 of the County. These funds are accounted for in the County General Fund.

F. Interfund Transfers

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

- \$385,840 was transferred from the County Highway Fund to the ETR Fund (a trust and agency fund) for repayment of a loan.
- \$150 was transferred from the Resale Property fund to the County General Fund to provide an increase for the Treasurer's office change fund.
- \$1,577 was transferred from the Special Insurance fund to the County General Fund to close out the 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, 2017

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 11,027,029	\$ 11,027,029	\$ -
Less: Prior Year Outstanding Warrants	(179,336)	(179,336)	-
Less: Prior Year Encumbrances	(63,523)	(45,102)	18,421
Beginning Cash Balances, Budgetary Basis	10,784,170	10,802,591	18,421
Residual Transfer	-	1,727	1,727
Receipts:			
Ad Valorem Taxes	2,070,730	2,162,065	91,335
Charges for Services	-	140,638	140,638
Intergovernmental Revenues	-	407,816	407,816
Sales Tax	-	1,023,765	1,023,765
Miscellaneous Revenues	-	181,522	181,522
Total Receipts, Budgetary Basis	2,070,730	3,915,806	1,845,076
Expenditures:			
District Attorney	1,000	1,000	-
County Sheriff	746,606	621,293	125,313
County Treasurer	142,990	141,253	1,737
County Commissioners	430,670	252,073	178,597
OSU Extension	67,404	33,534	33,870
County Clerk	213,890	212,773	1,117
Court Clerk	143,890	139,254	4,636
County Assessor	159,940	154,089	5,851
Revaluation of Real Property	187,150	166,256	20,894
Juvenile Shelter Bureau	6,000	4,076	1,924
E-911 Sales Tax	296,000	242,048	53,952
General Government	2,320,880	563,131	1,757,749
Excise-Equalization Board	8,200	4,180	4,020
County Election Board	87,500	68,691	18,809
Insurance - Benefits	1,425,000	799,145	625,855
Charity	2,500	-	2,500
Building Sales Tax	6,313,710	35,423	6,278,287
Emergency Management Sales Tax	150,000	132,750	17,250
County Audit Budget Account	21,570	-	21,570
Free Fair Sales Tax Budget Account	126,500	105,230	21,270
Avard Sales Tax	3,500	362	3,138
Total Expenditures, Budgetary Basis	12,854,900	3,676,561	9,178,339

Continued on next page

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, 2017

	General Fund		
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Continued from previous page			
Excess of Receipts and Beginning Cash			
Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	11,043,563	<u>\$ 11,043,563</u>
Reconciliation to Statement of Receipts,			
Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		85,730	
Add: Current Year Encumbrances		<u>55,951</u>	
Ending Cash Balance		<u>\$ 11,185,244</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, 2017

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 399,094	\$ 399,094	\$ -
Less: Prior Year Outstanding Warrants	(281)	(281)	-
Less: Prior Year Encumbrances	(24,417)	(24,350)	67
Beginning Cash Balances, Budgetary Basis	374,396	374,463	67
Receipts:			
Ad Valorem Taxes	268,646	280,495	11,849
Charges for Services	-	50	50
Intergovernmental Revenues	-	12,548	12,548
Miscellaneous Revenues	50	3,911	3,861
Total Receipts, Budgetary Basis	268,696	297,004	28,308
Expenditures:			
Health and Welfare	643,092	251,135	391,957
Total Expenditures, Budgetary Basis	643,092	251,135	391,957
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	420,332	\$ 420,332
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		29,615	
Add: Current Year Outstanding Warrants		11,403	
Ending Cash Balance		\$ 461,350	

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, 2017

	Beginning Cash Balances July 1, 2016	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2017
Remaining Aggregate Funds:						
Sheriff Service Fee	\$ 456,144	\$ 81,944	\$ -	\$ -	\$ 72,641	\$ 465,447
Fair Trophies and Rewards	251,173	11,458	-	-	4,854	257,777
Court Clerk Salary	8,955	41,031	-	-	38,466	11,520
County Clerk Lien Fee	347,103	24,140	-	-	39,220	332,023
Sheriff Revolving Fund	438,084	40,294	-	-	6,993	471,385
County Clerk Records Preservation Fee	106,228	19,700	-	-	37,910	88,018
Resale Property	116,572	24,499	-	150	17,094	123,827
Emergency Management	29,541	31,128	-	-	23,635	37,034
Sheriff Courthouse Security	50,043	9,061	-	-	3,066	56,038
Assessor Revolving Fee	38,127	5,336	-	-	1,610	41,853
Treasurer Mortgage Tax Certification Fee	20,398	1,695	-	-	-	22,093
LEPC	687	1,000	-	-	530	1,157
Juvenile Affairs Grant	2,439	-	-	-	2,439	-
Community Service Sentencing Program	250	-	-	-	-	250
Litter Reward Revolving	82	105	-	-	-	187
Special Insurance	1,577	-	-	1,577	-	-
Sheriff Commissary	-	600	-	-	-	600
Rural Fire	5,000	-	-	-	-	5,000
Sheriff Drug Task Force	45,482	3,778	-	-	-	49,260
Combined Total - Remaining Aggregate Funds	\$ 1,917,885	\$ 295,769	\$ -	\$ 1,727	\$ 248,458	\$ 1,963,469

WOODS COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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 and disbursements 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 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 towns, 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.

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

**WOODS COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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 and disbursements as 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 and disbursed for rewards in accordance with state statute.

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

Sheriff Commissary – accounts for the collection from sale of commissary items to inmates and disbursements to purchase commissary goods from the vendor. Excess funds are used for maintenance and operation of the jail.

Rural Fire – accounts for donations for Woods County Rural Fire and disbursed for the operations of Woods County Rural Fire.

Sheriff Drug Task Force – accounts for the collection of the Sheriff’s percentage of drug forfeitures.

INTERNAL CONTROL AND COMPLIANCE SECTION

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

TO THE OFFICERS OF
WOODS COUNTY, OKLAHOMA

We have audited, in accordance with 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, 2017, and the related notes to the financial statement, which collectively comprises Woods County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated June 26, 2019.

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, 2017, 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: 2017-001.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies: 2017-003, 2017-005, 2017-008, and 2017-015.

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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2017-007.

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 Response to Findings

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

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.

A handwritten signature in blue ink that reads "Cindy Byrd". The signature is written in a cursive, flowing style.

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

June 26, 2019

**WOODS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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 2017-001 – Inadequate County-Wide Internal Controls (Repeat Finding – 2012-001, 2013-001, 2014-001, 2015-001, 2016-001)

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

Additionally, three (3) of the ten (10) employee handbook acknowledgements reviewed lacked an employee signature.

Further noted, the cover of the handbook states “Every office may have different reasons for different rules. Employee shall follow their Officer's Rules.” However, each officer did not have another handbook or list of rules for his or her office. By making allowances for deviations from the handbook, the County has undermined the purposes of the handbook and made portions invalid, therefore, compromising the handbook in its entirety.

Cause of Condition: Policies and procedures have not been designed and implemented to address county-wide controls.

Effect of Condition: Without an adequate system of county-wide controls, there is greater risk of a breakdown in control activities which could result in unrecorded transactions, undetected errors, or misappropriation of funds.

Recommendation: The Oklahoma State Auditor & Inspector’s Office (OSAI) recommends that the County design and implement a system of county-wide procedures to identify and address risks related to financial reporting and to ensure that information is communicated effectively. OSAI also recommends the County 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.

Additionally, OSAI recommends the County design and implement policies and procedures to ensure that all employee handbook acknowledgements are signed and maintained.

Management Response:

Chairman of the Board: We will continue to work on county-wide controls with the guidance from the GAO’s “Standards for Internal Control in the Federal Government”. The acknowledgement of the policy manual will be signed by every employee before receiving their first paycheck.

County Clerk: The Officers will work on the policy handbook during the quarterly Officers’ meetings and we will continue to work on our communication skills and procedures.

**WOODS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

County Treasurer: Woods County is persistently updating and working on our internal control structure. The Treasurer's Office is actually close to being completed. It will address all office procedures, control environment, risk management and monitoring.

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 met. 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 sets the tone of an entity and influences the control consciousness of its people. The Control Environment is the foundation for all other components of internal control and provides structure and discipline. Among the important elements of the control environment are the attitude, awareness, and actions of management, as well as those charged with governance, concerning internal control.

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.

Information and Communication is a component of internal control which should provide for a county to run and control its operations. A county must have relevant, reliable information, both financial and nonfinancial. The 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 communication 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 processes. Proper monitoring will ensure that controls continue to be adequate and function properly.

**WOODS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Finding 2017-003 – Inadequate Internal Controls Over Disbursements (Repeat Finding – 2016-003)

Condition: Upon inquiry and observation of the County’s disbursement process, the following was noted: No one verifies the legitimacy of new vendors submitted by the requisition officer.

After reviewing purchase orders, OSAI noted the following instances in which fraudulent invoices were submitted by District 2 to the County Clerk for payment. This information has also been submitted to the District Attorney for further review.

Service of Generator Repair

- A purchase order (PO 3171) was created on February 13, 2017 for \$1,200 for “Work on Generator at West Repeater Tower.”
 - An invoice was submitted to the County with a service date of March 31, 2017 for \$226.25.
 - A receiving report was signed by a county employee for “Service Call & Repair and mileage” on April 20, 2017.
- Another purchase order (PO 3683) to the same vendor was encumbered on March 28, 2017 for \$500 for “Repeater Tower Service.”
 - A “Statement” for \$500 was created by someone other than the vendor with a service date listed as March 28, 2017.
 - The vendor’s name was misspelled.
 - The “Statement” did not supply a vendor address or any contact information.
 - A receiving report was signed by the same county employee for “Generator at W Repeater Tower” on March 28, 2017.
 - A warrant was sent to the original vendor for \$500 and later returned by that vendor and canceled by the County.
 - OSAI met with the vendor to present the “Statement” and the vendor signed the “Statement” stating this was not his business’ “Statement”.

Reimbursement of Travel Expenses

- Two purchase orders (PO 3328 and 3329) for travel reimbursement were encumbered on February 24, 2017 and later paid.
- Attached to the first purchase order was a generic receipt numbered “1” submitted for a taxi ride.
 - The receipt dated March 27, 2017 noted “Taxi to and from NW Alliance at OK History Center” and paid \$70 in cash.
- Attached to the second purchase order was a Google map screen shot from a ridesharing app.
 - Vendor, addresses, and miles traveled were not noted on the screenshot.
 - The screenshot of the map listed a ride on March 27, 2017 at 6:48 PM for \$19.99 from the middle of Oklahoma City to Norman.
 - Handwritten “\$5 Tip” was added making the total \$24.99.

Other handwritten receipts

- Purchase order #56 was encumbered for “Rent.”

**WOODS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

- On a blank piece of paper, handwritten information of the name of the person, the highway account number, \$250, and “pay 1st time in July” was the only information provided as an invoice.
 - The Resolution of Lease Renewals only lists “Lots in Freedom.”
- Purchase orders #322, #482, and #4458 were encumbered for “Mowing.”
 - A generic handwritten receipt numbered “1” was written for each purchase order in the amount of \$75.
 - The purchase orders and receipts do not have an address or contact information for the vendor.
- Purchase order #3341 was encumbered February 28, 2017 for \$1,200.
 - A generic handwritten receipt numbered “1” was written on February 28, 2017 for 1 pipe.
 - A simple computer generated “Statement” was also included. The statement listed the individual’s name that the County purchased the pipe from but did not include an address or any other contact information.
 - A yellow sticky note was attached to the statement. It said “Please send the warrant to D2 and we’ll deliver it. Thanks!”
- Purchase orders #981, #3064, and #3434 were encumbered for “Rock Hauling.”
 - Attached to the purchase orders are lined paper with handwritten load information. It has the vendor’s name, date, and hours spent hauling.
 - Purchase Order #981 includes a note on the lined paper stating, “Gravel owe C. Mathis.” A second note says “Loads = 400 yds to Carolyn Mathis.”
 - Purchase orders #3064 and #3434 include a simple invoice template created on a computer and is marked “Statement” along with the handwritten lined paper information. The “Statement” lists the vendors name, but no address or other contact information. It includes a summary of Rock Hauling and hours for each day.

Cause of Condition: Policies and procedures have not been designed and implemented over the disbursement process to strengthen internal controls and ensure compliance with state statute.

Effect of Condition: The County Commissioners and County Clerk’s office have created inadequate internal controls and noncompliance over purchasing procedures by allowing invoices and receipts that were created by someone other than the vendor and without adequate information to be approved for payment. These conditions resulted in noncompliance with state statute and could result in unrecorded transactions, undetected errors, and misappropriation of funds.

Recommendation: OSAI recommends the County to be in accordance with state statute. OSAI also recommends that the County Commissioners and the County Clerk’s office review invoices and receipts for adequate information. Further, invoices and receipts should only be created and submitted by the appropriate vendors. Under no circumstances should the County Commissioners create purchasing support for the vendor.

Management Response:

Chairman of the Board: All purchase orders have been reviewed and corrections will be made in compliance with the State Auditor’s Office recommendations.

**WOODS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

County Clerk: The County Clerk has made a policy to send W-9 forms to all new vendors and verify we have current addresses on all vendors. The County Clerk's office will only accept original invoices to be paid.

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.

Further, Title 19 O.S. § 1505(E)(9) states "The invoice shall state the name and address of the vendor and must be sufficiently itemized to clearly describe each item purchased, the unit price when applicable, the number or volume of each item purchased, the total price, the total purchase price, and the date of the purchase."

Finding 2017-005 – Inadequate Internal Controls and Noncompliance Over the Bidding Process (Repeat Finding – 2016-005)

Condition: As an item of unpredictability, we reviewed purchases over \$15,000 and bids for commonly used items. Based on inquiry of County Officials and staff, observation of the bidding process, and review of the BOCC minutes, the following weaknesses and noncompliance were noted:

- Six-month bids were awarded to all vendors that submitted a bid. The language in the BOCC minutes reflected that these bids were awarded to all vendors based on best and lowest bid; however, the lowest or best vendor was not selected, nor was the vendor selected based on availability.
- Out of the eleven (11) purchases over \$15,000, seven (7) did not note bid information or state contract information on the purchase order.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure compliance with 19 O.S. § 1505(B), which requires that counties award bids to the lowest and best bidders. Further, the County did not comply with 19 O.S. § 1501(A)(3)(j), which allows counties to accept all bids only for processed native materials for road and bridge improvements.

Effect of Condition: These conditions resulted in noncompliance with state statutes regarding the awarding of bids. As a result, the County may not have obtained the best prices for road projects or for materials purchased from the commonly-used goods bid lists.

Recommendation: OSAI recommends the County discontinue its practice of accepting all bids for services or for commonly-used goods that are not processed native materials for road or bridge improvements and award the contract to the lowest and best bidder. County officials should clearly document the reason for not awarding a bid to the lowest bidder.

**WOODS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Management Response:

Chairman of the Board: The bidding process has been corrected for all bids.

County Clerk: The Commissioners are now accepting the six-month bids individually and the minutes will reflect this. The County Clerk's office will insist that all documentation be presented with all state contract purchases.

Criteria: Best business practices would include soliciting bids from vendors with the goal of obtaining quality goods and/or services for the best price.

When counties purchase "needed or commonly [-] used supplies, materials, [or] equipment," 19 O.S. § 1505(B) requires the counties to solicit bids, compare them to the state contract price for the items, and select "the lowest and best bid based upon, if applicable, the availability of material and transportation cost to the job site within 30 days," specifying the reason "any time the lowest bid was not considered to be the lowest and best bid."

When counties purchase "processed native materials for road and bridge improvements," 19 O.S. § 1501(A)(3)(j) requires the counties to solicit bids but allows them to accept all bids received, with the lowest and best bid from those accepted to be selected based upon availability, bid price, plus transportation costs at the time of opening of any construction project." OSAI would note the distinction between the terms "accept" and "award." A decision to accept a bid is based upon it meeting certain bid specifications and, thus, is determined to be a qualified bid. The statutory guidance to award a bid is to identify the lone bidder who best meets the "lowest and best bid" criteria to the exclusion of all other bidders.

Further, Title 19 O.S. § 1505(B)(5) outlines the procedures to follow when the low bidder cannot fulfill a county bid contract. The statute states in part, "If a vendor who is the low bidder cannot or will not sell goods or services as required by a county bid contract, the county purchasing agent may purchase from the next low bidder or take quotations as provided in paragraph 6 of this subsection, *provided, however, such purchase does not exceed Fifteen Thousand Dollars (\$15,000.00).*"

Finding 2017-007 – Noncompliance Over the Purchasing Process (Repeat Finding – 2006-001, 2007-002, 2008-002, 2012-006, 2013-006, 2014-007, 2015-007, 2016-007)

Condition: During a test of thirty (30) purchase orders, the following weaknesses were noted:

- Two (2) instances were not properly encumbered.
- Five (5) instances were not supported by adequate documentation.
- Two (2) instances lacked enough documentation that it could not be determined if the disbursement was made for the appropriate amount.

Written, signed requisitions were not required in order to encumber a purchase order. Electronic signatures were allowed, but these were generated from a drop-down menu that multiple people had access to.

**WOODS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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).

Management Response:

Chairman of the Board: A continued effort will be made to follow proper policies and procedures with better documentation.

County Clerk: The County Clerk's office will insist that all documentation be attached to the purchase order before it will be paid. My office will continue to red stamp the purchase order that has not been encumbered properly. Transfer of appropriations will be used when needed instead of purchase orders to ensure the financial statement is accurately reported.

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, Title 19 O.S. § 1505(C) and § 1505(E) states county funds should be encumbered prior to the receipt of goods and/or services and disbursements of county funds should be supported with invoices and receiving reports

Finding 2017-008 – Inadequate Internal Controls and Noncompliance Over Discrete Presentation of Sales Tax Activity (Repeat Finding – 2012-007, 2013-007, 2014-009, 2015-009, 2016-008)

Condition: The county sales tax appropriations and expenditures are not discretely presented within the County General Fund. While the County did attempt to correct prior year findings regarding sales tax appropriations and expenditures within the County General Fund, it was noted that \$333,420 less money was appropriated than prior year lapsed balances plus new sales tax collections.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure compliance with 68 O.S. § 1370E and Attorney General Opinions 2005 OK AG 23 and 2014 OK AG 15.

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

**WOODS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
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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 and AG opinions.

Management Response:

Chairman of the Board: We will consult with the Budget Maker and ask for corrections to be made.

County Clerk: The County Clerk contacted our budget maker and he will be working with me on making the sales tax more transparent.

County Treasurer: The County Clerk and Treasurer's office are working to present a more transparent sales tax.

Criteria: Title 68 O.S. § 1370(E) 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 2017-015 – Inappropriate Recording of Revenue and Expenditures (Repeat Finding – 2016-012)

Condition: During the review and reconciliation of the financial statement as initially prepared by the County as well as interviews with management, it was noted that the financial statement contained inappropriate revenue and expenditures.

Instead of interfund transfers and operational transfers, the County created purchase orders from one fund or account and deposited it into another fund or account.

- \$47,592 was disbursed from the County General Fund and deposited into the E-911 fund.

**WOODS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
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- One (1) purchase order for \$1,577 was disbursed from Special Insurance fund and deposited into the County General Fund.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure proper recording of cash receipts, operational transfers, interfund transfers, and disbursements on the financial statement.

Effect of Condition: These conditions resulted in a misstatement of the County's financial statement.

Recommendation: OSAI recommends the County design and implement procedures to ensure the financial statement is accurately reported.

Management Response:

Chairman of the Board: Interfund and operational transfers are now being used rather than purchase orders.

Criteria: Effective internal controls are essential to provide reasonable assurance about the achievement of the entity's objectives with regard to reliability of financial reporting, and compliance with applicable laws and regulations. An effective internal control system has in place policies and procedures that reduce the risk of errors and fraud within an organization.

The County's management is responsible for establishing internal control procedures to prevent or detect misstatements in a timely manner. Professional audit standards preclude the external financial statement auditor from performing any part of management's control activities or be a component of the internal controls over financial reporting as this would impair their independence.

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 2017-011 – Insufficient Internal Controls and Noncompliance Over Fixed Assets Inventory

Condition: Upon inquiry of County Officials and employees, and observation of records in regards to fixed assets processes, the following weaknesses were noted:

- Documentation of an annual inventory could not be produced for District 2.
- The Court Clerk's physical inventory verifications are performed by the same individual that is responsible for maintaining the inventory records.
- A test of twenty (20) fixed assets for District 1 noted the following exceptions:

**WOODS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

- Two (2) items did not have the county identification number affixed to the equipment.
 - Three (3) items were not properly marked “Property of Woods County”.
- A test of twenty (20) fixed assets for District 2 noted the following exceptions:
 - Three (3) items did not have the county identification number affixed to the equipment.
 - Five (5) items were not properly marked “Property of Woods County”.
- A test of twenty (20) fixed assets for the County Sheriff noted the following exceptions:
 - One (1) item could not be located.
 - Four (4) items did not have the county identification number affixed to the equipment.
- A test of ten (10) fixed assets for OSU Extension noted the following exceptions:
 - Nine (9) items did not have the county identification number affixed to the equipment.
- A test of ten (10) fixed assets for the Fairgrounds noted the following exceptions:
 - Five (5) items were not properly marked “Property of Woods County”.
- A test of ten (10) fixed assets for General Government noted the following exceptions:
 - Two (2) items could not be located.
 - Two (2) items did not have the county identification number affixed to the equipment.

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 the County Officers implement internal controls to ensure compliance with 19 O.S. § 178.1, 19 O.S. § 178.2, and 19 O.S. § 1502(A)(1) with regards to fixed assets.

These controls would include that all offices:

- Retain documentation to verify the physical inventory counts were performed.
- Inventory counts should be performed by someone other than the inventory officer.
- File inventory records with the County Clerk.
- Retain documentation to verify monthly consumable inventory count.

Management Response:

Chairman of the Board: Fixed asset inventory has been addressed and corrected.

District 1: We will make sure that County ID numbers and “Property of” stickers will be completed for all equipment as necessary.

Court Clerk: I have assigned another deputy the task of verifying the fixed assets.

**WOODS COUNTY, OKLAHOMA
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County Sheriff: The missing item was taken off of inventory on July 23, 2018 with Resolution 18-19-18. We will mark the equipment missing the County ID number.

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.

Title 19 O.S. § 178.1 requires the board of county commissioners in each county of this state to take or cause to be taken, an inventory of all working tools, apparatus, machinery and equipment.

Title 19 O.S. § 178.2 requires each elected county official to create and maintain inventory records of said office. Such inventory shall be filed with the county clerk.

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



Cindy Byrd, CPA | State Auditor & Inspector

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