



WOODS COUNTY

Financial Audit

For the fiscal year ended June 30, 2018

Cindy Byrd, CPA
State Auditor & Inspector

**WOODS COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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Cindy Byrd, CPA | State Auditor & Inspector

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May 24, 2021

TO THE CITIZENS OF
WOODS COUNTY, OKLAHOMA

Transmitted herewith is the audit of Woods County, Oklahoma for the fiscal year ended June 30, 2018. 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, 2018**

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, 2018**

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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, 2018, 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 this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free 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, 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 statement 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, 2018, 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, 2018, in accordance with the basis of accounting described in Note 1.

Other Matters

Supplementary 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 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 supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. 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 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 May 5, 2021, 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

May 5, 2021

REGULATORY BASIS FINANCIAL STATEMENT

WOODS COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS
(WITH COMBINING INFORMATION)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Beginning Cash Balances July 1, 2017	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2018
Combining Information:						
County General Fund	\$ 11,185,244	\$ 4,024,476	\$ -	\$ -	\$ 3,618,585	\$ 11,591,135
County Highway Fund	5,795,156	6,469,408	332,941	-	6,640,237	5,957,268
County Health Department	461,350	299,739	-	-	211,624	549,465
E-911	73,301	267,945	-	-	249,883	91,363
County Bridge and Road Improvement Fund 105	515,516	287,823	-	-	470,587	332,752
Sheriff Service Fee	465,447	116,811	57,057	-	39,633	599,682
Fair Trophies and Rewards	257,777	-	-	-	23,175	234,602
Court Clerk Salary	11,520	49,864	-	-	49,761	11,623
Courty Clerk Lien Fee	332,023	23,792	-	-	24,394	331,421
Sheriff Revolving Fund	471,385	28,432	-	-	4,857	494,960
County Clerk Records Preservation Fee	88,018	14,275	-	-	16,071	86,222
Resale Property	123,827	30,137	-	-	31,691	122,273
Emergency Management	37,034	18,349	-	-	10,858	44,525
Sheriff Courthouse Security	56,038	4,204	-	57,057	3,185	-
Assessor Revolving Fee	41,853	5,188	-	-	2,104	44,937
Treasurer Mortgage Tax Certification Fee	22,093	1,400	-	-	-	23,493
LEPC	1,157	1,000	-	-	824	1,333
Community Service Sentencing Program	250	-	-	-	-	250
Litter Reward Revolving	187	100	-	-	-	287
Sheriff Commissary	600	1,147	-	-	-	1,747
Rural Fire	5,000	300	-	-	2,998	2,302
Sheriff Drug Task Force	49,260	6,849	-	-	6,955	49,154
Combined Total - All County Funds	\$ 19,994,036	\$ 11,651,239	\$ 389,998	\$ 57,057	\$ 11,407,422	\$ 20,570,794

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, 2018**

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.

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

**WOODS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

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 ad valorem 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.

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 disbursement of the funds as restricted by state statute.

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

Community Service Sentencing Program – accounts for the collection of funding through the Oklahoma State 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.

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.

**WOODS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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 and disbursed for items related to the drug buy program.

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 with all other funds included in the audit presented in the aggregate in a combining statement. However, the County has elected to present all funds included in the audit in the Statement of Receipts, Disbursements, and Changes in Cash Balances—Regulatory Basis.

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.

**WOODS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

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

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

2. Ad Valorem Tax

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

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

**WOODS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

amended by the Oklahoma Legislature. The Plan provides retirement, disability, and death benefits to Plan members and beneficiaries. Title 74, Sections 901 through 943, as amended, establishes the provisions of the Plan. OPERS issues a publicly available financial report that includes financial statements and supplementary information. That report may be obtained by writing OPERS, P.O. Box 53007, Oklahoma City, Oklahoma 73105 or by calling 1-800-733-9008.

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

B. Other Post Employment Benefits (OPEB)

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

C. Contingent Liabilities

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

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

E. Tax Abatements

The County is subject to ad valorem tax abatements granted by the State of Oklahoma in accordance with the Oklahoma Constitution, Article 10 Section 6B for qualifying manufacturing concern—ad valorem tax exemption.

**WOODS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Under this program, a five-year ad valorem tax exemption exempts all real and personal property that is necessary for the manufacturing of a product and facilities engaged in research and development which meet the requirements set by the Oklahoma Constitution and statutes. Under Title 68 O.S. § 2902, in exchange for the five-year exemption, qualifying manufacturing concerns must meet certain minimum investment requirements for construction, acquisition, or expansion of a manufacturing facility. In addition, there are general minimum payroll requirements that must be met and the qualifying manufacturing concern must offer basic health benefit plans to all full-time employees within 180 days of employment.

The County had \$98,014 of ad valorem taxes abated under this program for the fiscal year ended June 30, 2018.

The State has an Ad Valorem Reimbursement Fund in accordance with Title 62 O.S. § 193 that is used to reimburse the County for the loss of revenue. Monies apportioned to this fund by the State also may be transferred to other state funds or otherwise expended as directed by the Legislature. In the event monies apportioned to the Fund are insufficient to pay all claims for reimbursement, claims for reimbursement for loss of revenue due to manufacturing exemptions of ad valorem taxes shall be paid first, and any remaining funds shall be distributed proportionally among the counties making claims for reimbursement for loss of revenue for school district exemptions.

F. Interfund Transfers

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

- \$57,057 was transferred from the Sheriff Courthouse Security fund to the Sheriff Service Fee fund by Board of County Commissioners resolution to establish a uniform system of bookkeeping in accordance with Title 28 O.S. § 153(E) and to close out the fund.
- \$332,941 was transferred from the Emergency and Transportation Revolving (ETR) fund, a trust and agency fund, to the County Highway Fund as a loan for bridge and road projects in the County.

SUPPLEMENTARY INFORMATION

WOODS COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—
BUDGETARY BASIS—GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	General Fund		
	Budget	Actual	Variance
District Attorney - County	\$ 1,000	\$ 896	\$ 104
County Sheriff	748,849	583,635	165,214
County Treasurer	139,780	139,188	592
County Commissioners	425,000	206,136	218,864
County Commissioners O.S.U. Extension Sales Tax	64,240	32,647	31,593
County Clerk	222,600	219,006	3,594
Court Clerk	185,000	180,627	4,373
County Assessor	160,592	149,960	10,632
Revaluation of Real Property	187,928	174,319	13,609
Juvenile Shelter Bureau	21,000	16,046	4,954
E-911 Sales Tax	336,000	257,818	78,182
General Government	1,574,200	432,773	1,141,427
Excise - Equalization Board	8,200	2,873	5,327
County Election Expense	86,968	73,536	13,432
Insurance - Benefits	1,290,000	711,231	578,769
Charity Sales Tax	2,500	-	2,500
Fire Fighting Services	85,000	84,442	558
Building Sales Tax	6,239,903	31,383	6,208,520
Emergency Management	175,000	151,015	23,985
County Audit Budget Account	43,010	1,504	41,506
Free Fair Sales Tax Budget Account	126,500	111,414	15,086
Sales Tax County Wide	978,500	127,121	851,379
Total Expenditures, Budgetary Basis	<u>\$ 13,101,770</u>	<u>\$ 3,687,570</u>	<u>\$ 9,414,200</u>

WOODS COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—
BUDGETARY BASIS—HEALTH FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

County Health Department Fund			
	Budget	Actual	Variance
Health and Welfare	\$ 687,353	\$ 201,633	\$ 485,720
Total Expenditures, Budgetary Basis	\$ 687,353	\$ 201,633	\$ 485,720

**WOODS COUNTY, OKLAHOMA
NOTE TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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 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.

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 Statement of Receipts, Disbursements, and Changes in Cash Balances (with Combining Information) of Woods County, Oklahoma, as of and for the year ended June 30, 2018, 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 May 5, 2021

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, 2018, 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.

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



Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be material weaknesses: 2018-001, 2018-002, and 2018-003.

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 2018-002 and 2018-003.

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.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

May 5, 2021

**WOODS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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 2018-001 – Lack of County-Wide Internal Controls (Repeat Finding 2012-001, 2013-001, 2014-001, 2015-001, 2016-001, 2017-001)

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.

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

Cause of Condition: Policies and procedures have not been designed and implemented to address the risks of the County and the handbook.

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. The handbook does not use the same policies and procedures for each office.

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

Management Response:

Chairman of the Board of County Commissioners: We will continue to work on county-wide controls with the guidance from the Government Accountability Office's (GAO) “Standards for Internal Control in the Federal Government”.

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.

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.

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

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

Definition of Internal Control

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

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

Components, Principles, and Attributes

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

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

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

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

Finding 2018-002 – Lack of Internal Controls and Noncompliance Over Discrete Presentation of Sales Tax Activity (Repeat Finding 2012-007, 2013-007, 2014-009, 2015-009, 2016-008, 2017-008)

Condition: The County sales tax appropriations and expenditures are not discretely presented within the County General Fund. The Board of County Commissioners did not pass a resolution stating how the sales tax should be split in the 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 \$35,367 more 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. § 1370(E) and Attorney General (AG) Opinions 2005 OK AG 23 and 2014 OK AG 15.

Effect of Condition: This condition resulted in noncompliance with state statute and AG opinions.

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Recommendation: OSAI recommends that internal controls be designed and implemented to ensure sales tax collections are appropriated in accordance with the sales tax ballot; specifically, through BOCC Resolution, management should establish amounts or percentages to discretely present sales tax funds appropriated into separate accounts within the General Fund in accordance with the AG Opinions and 68 O.S. § 1370E.

Management Response:

Chairman of the Board of County Commissioners: We will continue to work on this.

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

County Clerk: The County Clerk and the budget maker are working to make the sales tax more transparent.

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 2018-003 – Lack of Internal Controls and Noncompliance Over Disbursements (Repeat Finding – 2012-6, 2013-6, 2014-7, 2015-7, 2016-007, 2017-007)

Condition: Upon inquiry of county personnel, observation of the County’s disbursement process we noted a lack of internal controls in the payroll process:

- Salaried employees are paid from claims that are routinely generated in the County Clerk’s office and are not supported with documentation.
- The Payroll Clerk has the ability to enroll new hires and make payroll changes. The Payroll Clerk also maintains personnel files, prepares payroll claims, prepares OPERS reports and state and federal tax reports, and prints and distributes the payroll warrants.

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- Ten months of payroll expenditures were not issued by purchase order.

Additionally, while performing the expenditure testwork, the following was noted:

- A sample of forty-four (44) disbursements were selected from county funds and determined:
 - Twelve (12) expenditures totaling \$114,143 were not properly requisitioned by requisitioning officers.
 - Nine (9) expenditures totaling \$142,196 were not encumbered prior to receiving goods or services.
 - Three (3) instances of payroll expenditures totaling \$5,767 were not reviewed and were not supported by employee signature or supporting documentation.
 - One (1) payroll expenditure totaling \$21,697 was paid without approval from the Official or department head.
 - One (1) expenditure totaling \$82,835 was not properly bid and did not include a detailed invoice.

Cause of Condition: There is an overall lack of internal controls over the disbursement process. Policies and procedures have not been designed and implemented to ensure compliance with state statutes and to strengthen internal controls over the disbursement process.

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

Recommendation: OSAI recommends the County implement a system of internal controls over the disbursement process. Such controls should include ensuring that funds are encumbered prior to the receipt of goods and/or services, be supported by adequate documentation, be properly bid and that purchase orders and warrants should be issued in accordance with 19 O.S. § 1505.

Management Response:

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

County Commissioner District 1: I will make sure all purchase orders are requisitioned by requisitioning officers, properly encumbered, and will approve all payroll.

County Commissioner District 3: I will make sure purchase orders are encumbered prior to ordering and receiving goods. I will also make sure all payroll is approved prior to payment.

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. I will work within my office on making sure payroll is segregated. I will make sure all items are bid, detailed invoices are attached, and signed requisitions are received by my officer prior to encumbrance.

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County Assessor: I will make sure payroll is reviewed and supported with documentation.

Criteria: GAO Standards – Section 2 – Establishing an Effective Internal Control System – OV2.23 states in part:

Objectives of an Entity – Compliance Objectives

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

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

Definitions of Objectives

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

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

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 2018-004 – Lack of Internal Controls and Noncompliance Over Disbursement Process

Condition: Upon review of a prior year finding, 2017-003, a sample of twenty-four (24) expenditures were judgmentally selected by vendor name to review and the following was noted:

- Eight (8) expenditures were not supported by any documentation from the vendor.
- Five (5) expenditures were supported by generic handwritten receipts lacking vendor address or other contact information. The receipt number "1" was used for four of the purchase orders.
- One (1) expenditure was only supported by handwritten slips of notebook paper documenting hauling runs. No information of the vendor is attached.
- One (1) expenditure had no supporting documentation attached.

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Cause of Finding: 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 Finding: The County Commissioners and County Clerk's office have created inadequate internal controls and noncompliance over purchasing procedures 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 follow 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.

Management Response:

Chairman of the Board of County Commissioners: 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.

Criteria: GAO Standards – Section 2 – Establishing an Effective Internal Control System – OV2.23 states in part:

Objectives of an Entity – Compliance Objectives

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

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

Definitions of Objectives

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

Further, 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

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price when applicable, the number or volume of each item purchased, the total price, the total purchase price, and the date of the purchase.”



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