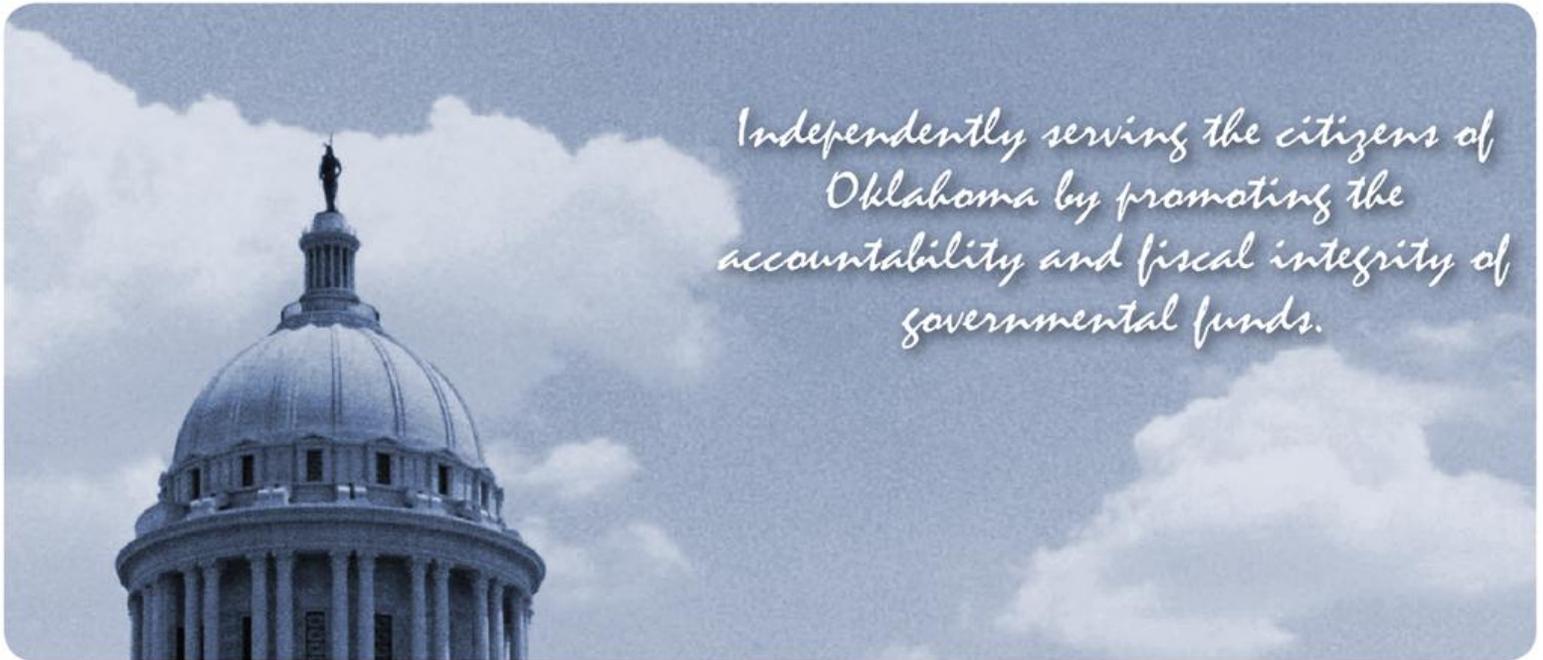


COUNTY AUDIT

WAGONER COUNTY

For the fiscal year ended June 30, 2009



*Independently serving the citizens of
Oklahoma by promoting the
accountability and fiscal integrity of
governmental funds.*



Oklahoma State
Auditor & Inspector
Gary A. Jones, CPA, CFE

**WAGONER COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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



Oklahoma State Auditor & Inspector

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

May 1, 2014

TO THE CITIZENS OF
WAGONER COUNTY, OKLAHOMA

Transmitted herewith is the audit of Wagoner County, Oklahoma for the fiscal year ended June 30, 2009. 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,

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

**WAGONER COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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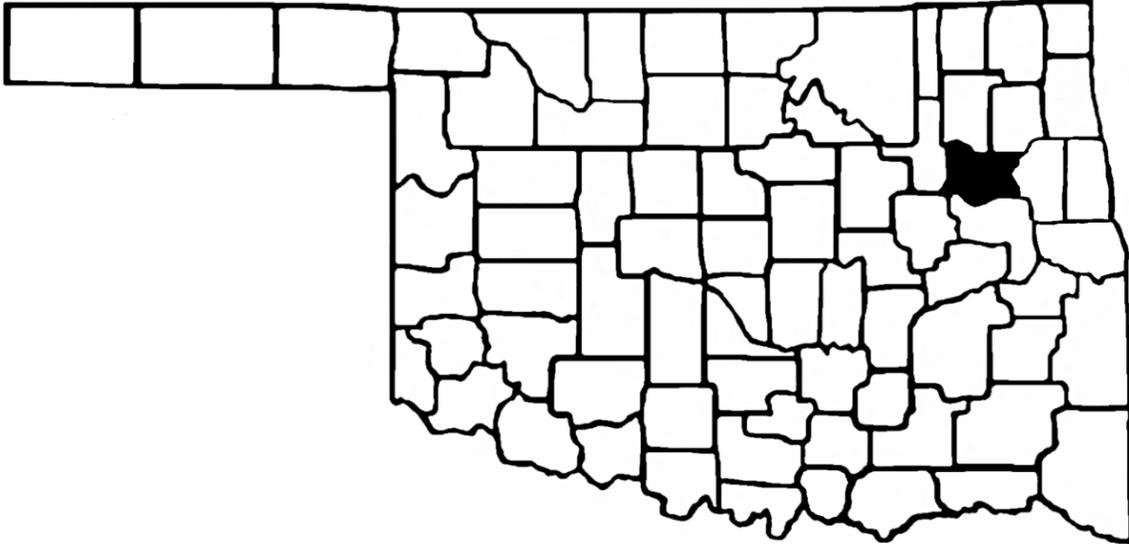
**WAGONER COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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PRESENTED FOR INFORMATIONAL PURPOSES ONLY**

**WAGONER COUNTY, OKLAHOMA
STATISTICAL INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**



Created at statehood, Wagoner is named for its major city which is also the county seat. An early settler of the area was Nathan Pryor, a member of the Lewis and Clark expedition, which was originally based at Three Forks, now called Okay. Pryor later moved to what is now called Pryor Creek where he established a trading post.

The main thoroughfare of the county was the Osage Trace, which became known as the Texas Road in 1826. During the Civil War this route was heavily traveled. In 1866 the Texas Road became known as the East Shawnee Trail, one of the first cattle trails to cross the area. In the early 1870s the Missouri, Kansas, and Texas (KATY) railroad extended into the county.

While Tulsa's industrial area and the Port of Catoosa provide employment for many Wagoner County citizens, agriculture remains a basic element in the economy, with grain and cattle being of major importance.

Two books, *Three Forks Country* and *History of Wagoner County*, are sources of county information. The Wagoner Historical Society also serves the area. For additional information, call the county clerk's office at 918/485-2216.

County Seat – Wagoner

Area – 590.99 Square Miles

County Population – 67,239
(2007 est.)

Farms – 1,138

Land in Farms – 262,702 Acres

Source: Oklahoma Almanac – 2009-2010

**WAGONER COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Board of County Commissioners

District 1 – Tom Vincent
District 2 – Chris Edwards
District 3 – Jim Hargrove

County Assessor

Judie Thompson

County Clerk

Carolyn Kusler

County Sheriff

Bob Colbert

County Treasurer

Gloria Marshall

Court Clerk

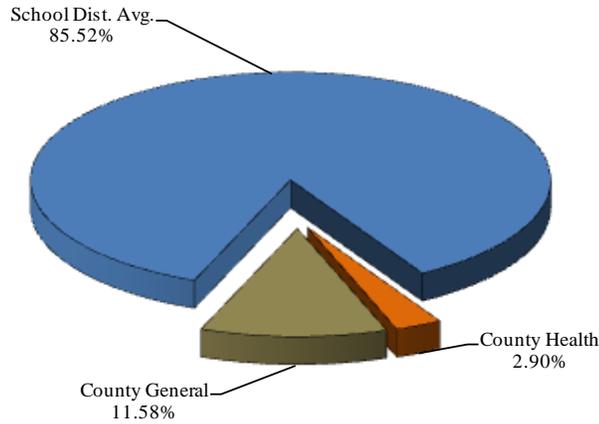
Rhonda Vincent

District Attorney

Jerry Moore

**WAGONER COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

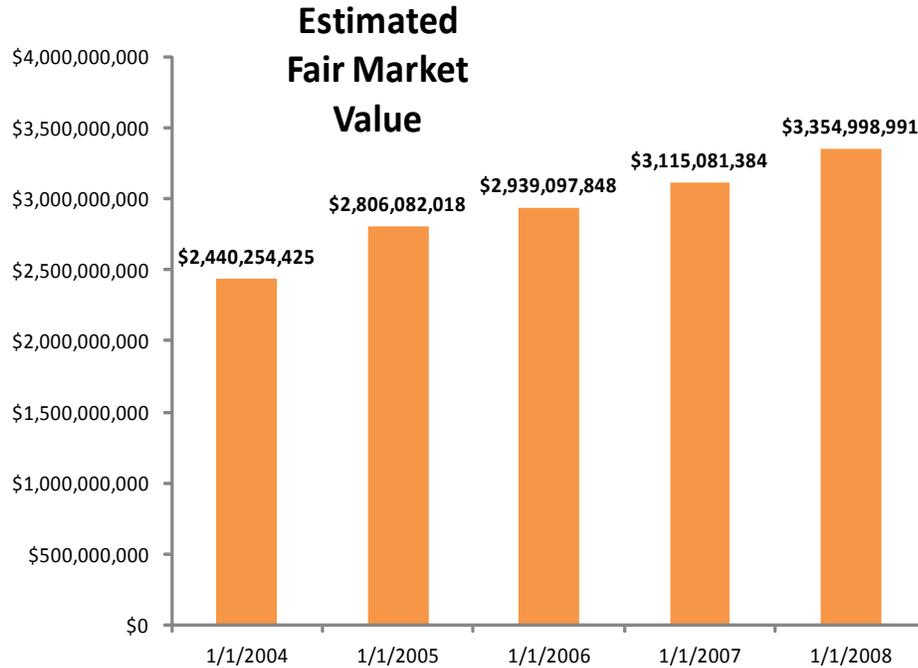
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the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



County-Wide Millages		School District Millages								
				Gen.	Bldg.	Skg.	Career Gen.	Career Bldg.	Common	Total
County General	10.31									
County Health	2.58	Coweta	I-17	36.19	5.17	27.44	8.11	2.03	4.13	83.07
		Okay	I-1	36.17	5.17	-	8.11	2.03	4.13	55.61
		Wagoner	I-19	35.79	5.11	16.51	8.11	2.03	4.13	71.68
		Porter	I-365	36.77	5.25	19.00	8.11	2.03	4.13	75.29
		Bixby	Haskell	36.31	5.19	22.58	8.11	2.03	4.13	78.35
		Broken Arrow	Ft. Gibson	35.51	5.07	11.97	8.11	2.03	4.13	66.82
		Coweta	Catoosa	35.84	5.12	18.61	8.13	5.08	4.13	76.91
		Tulsa	Inola	37.15	5.31	22.22	10.36	1.00	4.13	80.17
			Locust Grove	38.84	5.55	26.11	10.36	1.00	4.13	85.99
			Mazie	36.07	5.15	6.18	10.36	1.00	4.13	62.89
			Tulsa	35.55	5.16	24.10	8.13	5.08	4.13	82.15
			Broken Arrow	36.15	5.16	29.56	8.13	5.08	4.13	88.21
			Bixby	36.31	5.19	23.45	8.13	5.08	4.13	82.29
			Tulsa 4							

**WAGONER COUNTY, OKLAHOMA
 ASSESSED VALUE OF PROPERTY
 TREND ANALYSIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

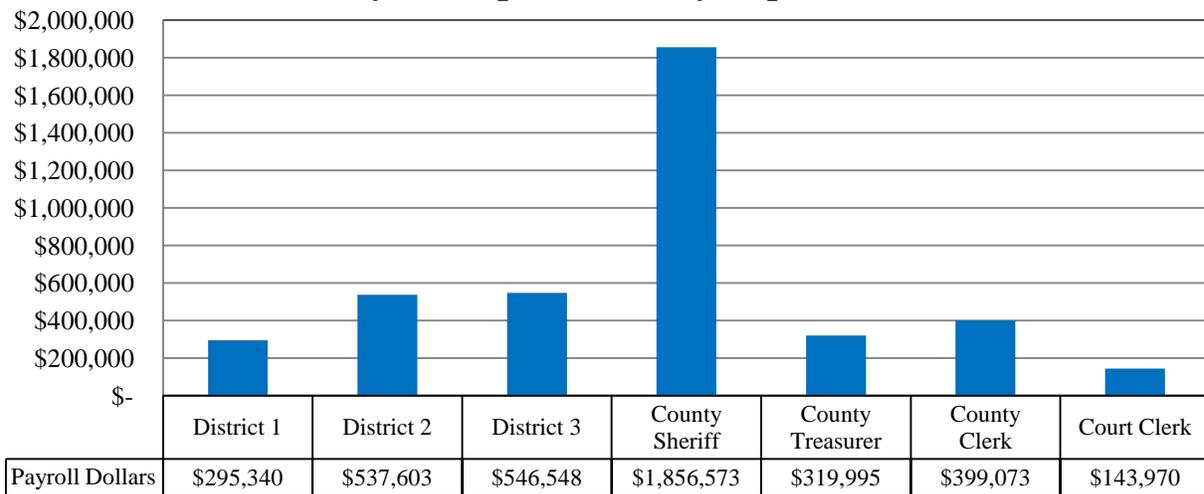
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2008	\$45,230,744	\$28,053,282	\$319,944,974	\$17,469,113	\$375,759,887	\$3,354,998,991
1/1/2007	\$42,476,265	\$27,613,417	\$295,755,158	\$16,955,725	\$348,889,115	\$3,115,081,384
1/1/2006	\$49,287,447	\$26,918,368	\$269,510,328	\$16,537,184	\$329,178,959	\$2,939,097,848
1/1/2005	\$61,544,612	\$27,814,706	\$241,092,217	\$16,170,349	\$314,281,186	\$2,806,082,018
1/1/2004	\$61,099,606	\$28,174,867	\$219,197,500	\$15,641,442	\$292,830,531	\$2,440,254,425



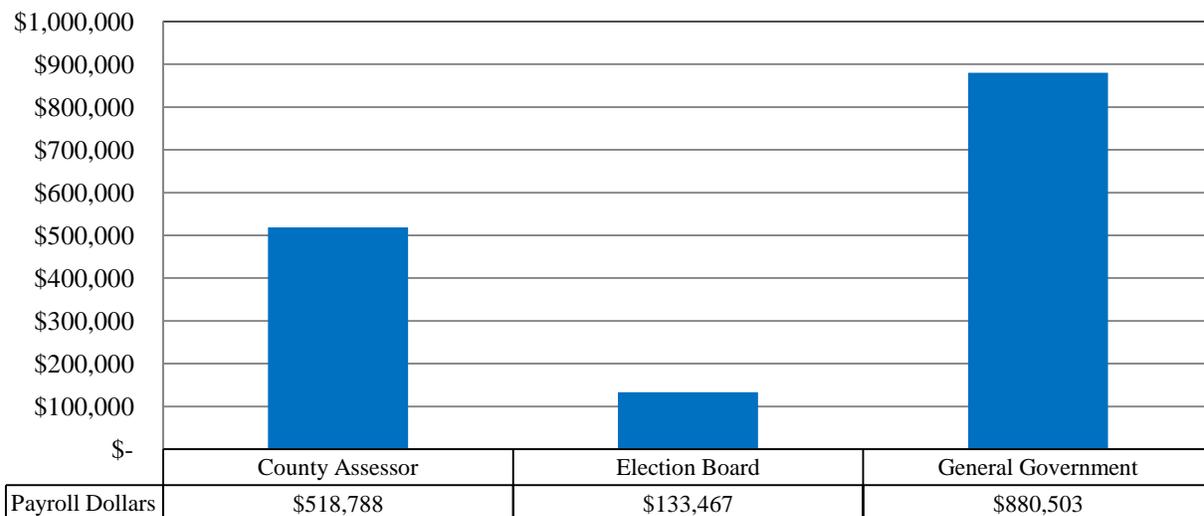
**WAGONER COUNTY, OKLAHOMA
COUNTY PAYROLL EXPENDITURES ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

County officers' salaries are based upon the assessed valuation and population of the counties. State statutes provide guidelines for establishing elected officers' salaries. The Board of County Commissioners sets the salaries for all elected county officials within the limits set by the statutes. The designated deputy or assistant's salary cannot exceed the principal officer's salary. Salaries for other deputies or assistants cannot exceed the principal officer's salary. The information presented below is for the fiscal year ended June 30, 2011.

Payroll Expenditures by Department



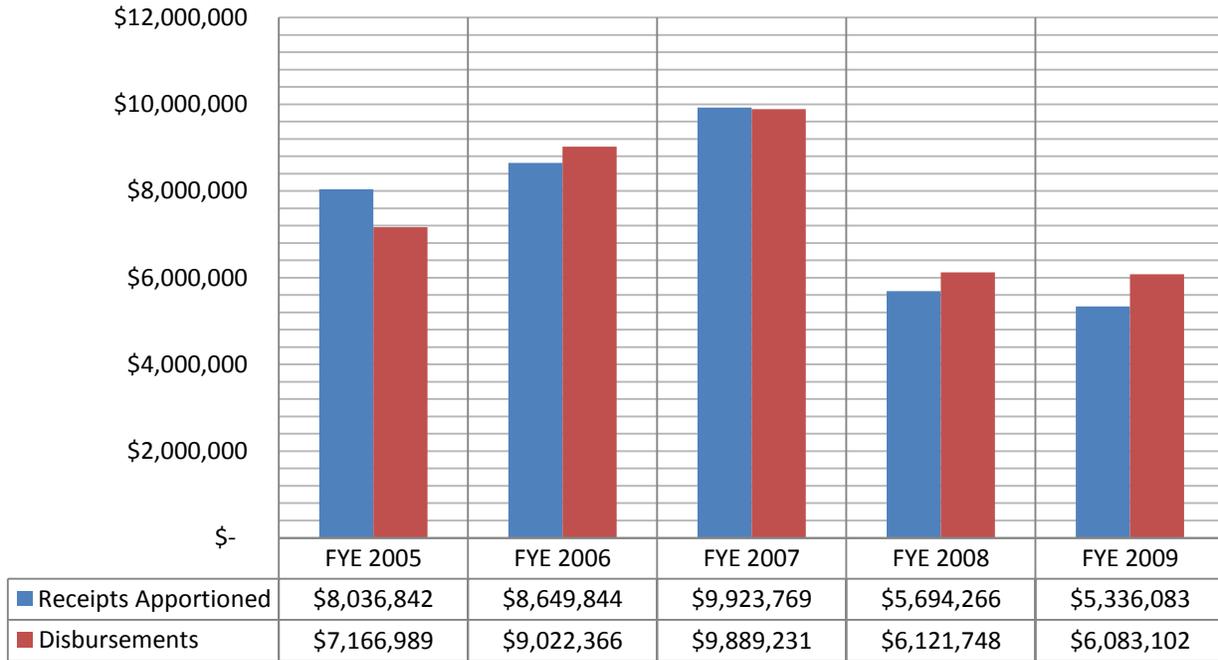
Payroll Expenditures by Department



**WAGONER COUNTY, OKLAHOMA
COUNTY GENERAL FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

County General Fund

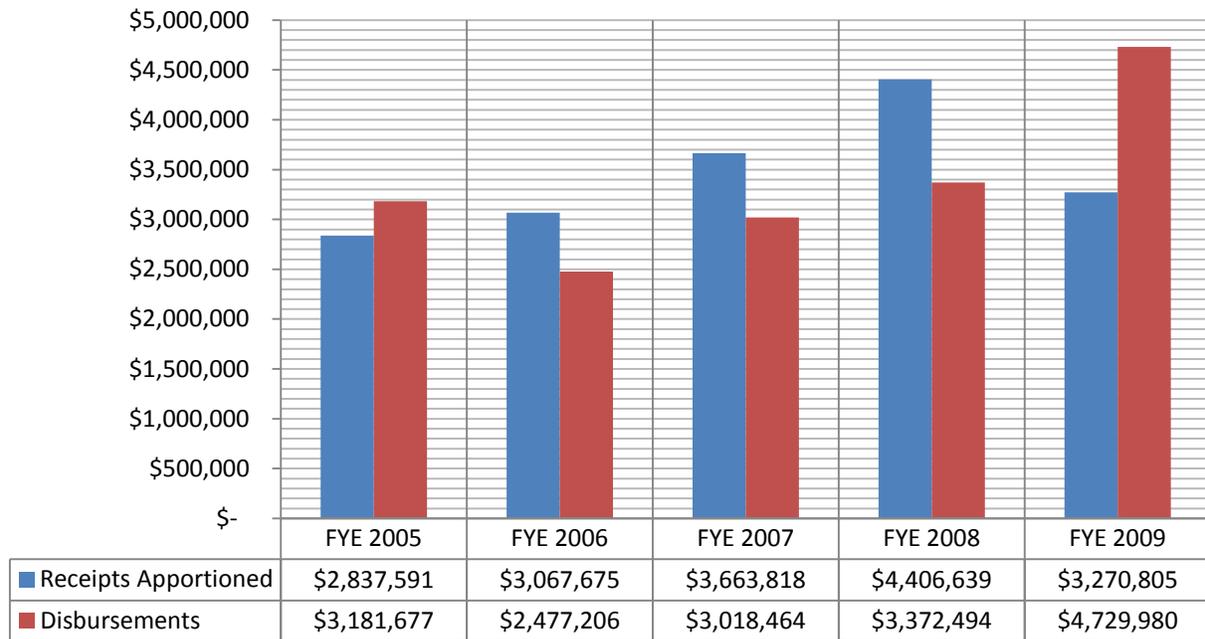
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also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



**WAGONER COUNTY, OKLAHOMA
COUNTY HIGHWAY FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

County Highway Fund

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



FINANCIAL SECTION



Oklahoma State Auditor & Inspector

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

Independent Auditor's Report

TO THE OFFICERS OF WAGONER COUNTY, OKLAHOMA

We have audited the combined total—all county funds on the accompanying regulatory basis Statement of Receipts, Disbursements, and Changes in Cash Balances of Wagoner County, Oklahoma, as of and for the year ended June 30, 2009, listed in the table of contents as the financial statement. This financial statement is the responsibility of Wagoner County's management. Our responsibility is to express an opinion on the combined total—all county funds on this financial statement based on our audit.

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

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

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Wagoner County as of June 30, 2009, or changes in its financial position for the year then ended.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash balances for all county funds of Wagoner County, for the year ended June 30, 2009, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2014, on our consideration of Wagoner County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the combined total of all county funds on the financial statement. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statement. The remaining Other Supplementary Information, as listed in the table of contents, is presented for purposes of additional analysis, and is not a required part of the financial statement. Such supplementary information has been subjected to the auditing procedures applied in the audit of the combined total—all county funds on the regulatory basis Statement of Receipts, Disbursements and Changes in Cash Balances and, in our opinion, is fairly stated, in all material respects, in relation to the combined total—all county funds. The information listed in the table of contents under Introductory Section has not been audited by us, and accordingly, we express no opinion on it.

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

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

April 29, 2014

REGULATORY BASIS FINANCIAL STATEMENT

WAGONER 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, 2009

	Beginning Cash Balances July 1, 2008	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2009
Combing Information:						
Major Funds:						
County General	\$ 3,276,503	\$ 5,336,083	\$ -	\$ 341,506	\$ 6,083,102	\$ 2,187,978
T-Highway	3,298,411	3,270,805	149,737	-	4,729,980	1,988,973
County Health	757,066	1,095,971	-	-	1,222,069	630,968
Fire District Sales Tax	792,196	1,304,483	-	-	1,181,540	915,139
1 Cent Sales Tax	2,597,039	4,391,916	341,506	-	3,156,125	4,174,336
Special Economic Development	1,136,229	324,770	-	-	170,060	1,290,939
County Commissioners Use Tax	502,835	308,384	-	-	231,947	579,272
Courthouse Building and Maintenance	7,178,302	51,850	-	-	56,123	7,174,029
Remaining Aggregate Funds	2,125,763	1,523,499	137,518	128,376	1,461,808	2,196,596
Combined Total - All County Funds	\$ 21,664,344	\$ 17,607,761	\$ 628,761	\$ 469,882	\$ 18,292,754	\$ 21,138,230
As Restated						

The notes to the financial statement are an integral part of this statement.

**WAGONER COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

1. Summary of Significant Accounting Policies

A. Reporting Entity

Wagoner 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 – accounts for the general operations of the government.

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

County Health – accounts for monies collected on behalf of the county health department from ad valorem taxes, state, and local revenues. Disbursements are for the operation of the county health department.

Fire District Sales Tax – accounts for the sales tax collections received for operating and maintaining the various fire districts.

1 Cent Sales Tax – accounts for the collection of sales tax revenue and disbursements are for the purpose of operational expenditures for general government, Sheriff's office, and the maintenance of county roads and highways.

**WAGONER COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Special Economic Development – accounts for the monthly use tax apportionments from the County Commissioners per resolution, federal grants, and state monies grants. Disbursements are for economic development within Wagoner County.

County Commissioners Use Tax – accounts for monies collected from the Oklahoma Tax Commission. Disbursements are at the discretion of the Board of County Commissioners for any lawful expense of the County per resolution.

Courthouse Building and Maintenance – accounts for the collection of sales tax revenue and disbursement for the building and maintenance of the Wagoner County Courthouse and service buildings.

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 on a regulatory basis. 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.

**WAGONER COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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. Unpaid real property taxes become a lien upon said property on October 1 of each year.

3. Other 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.

**WAGONER COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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.

A. 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.

B. 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.

C. Sales Tax

On October 12, 1999, Wagoner County voters approved a eighty five one hundredths of one percent (.85%) sales tax designated for the improvement and expansion of the Wagoner County Courthouse including, but not limited to, the Wagoner County Jail Facility. The effective date of this tax is January 1, 2000 through December 31, 2009. These funds are accounted for in the Courthouse Building and Maintenance fund.

On August 22, 2006, Wagoner County voters approved to continue the levy, an excise (sales) tax of one percent (1%) upon the gross proceeds from all sales to any person taxable under the sales tax law of Oklahoma, as was originally approved by a majority of the votes of Wagoner County on March 8, 1988. The monthly income of the revenue of said tax is pledged to the county roads in the amount of eighty percent (80%), to the Sheriff's office in an amount of ten percent (10%), and general government in the amount of ten percent (10%). The life of the tax is to be until April 1, 2018, which is 10 years after the August 19, 2002 Resolution and eliminate the .85% sales tax pursuant to the county courthouse renovation as of September 1, 2006; effective date January 1, 2007. These funds are accounted for in the 1 Cent Sales Tax fund.

On February 15, 2007, Wagoner County voters approved a fifteen hundredth of one percent (.15%) sales tax, which increases the current Wagoner County Fire Tax to thirty hundredth of one

**WAGONER COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

percent (.30%). The purpose of the proceeds of this tax is to provide funding for the fire departments in the following communities: Wagoner, Taylor Ferry, Toppers, Tullahassee, Whitehorn, Coweta, Oak Grove, Rolling Hills, Flat Rock, Okay, Red Bird, Porter, Stone Bluff, and Broken Arrow. The proceeds are to be split as follows: 95% of the fifteen hundredth of one percent will be split evenly between the fourteen departments and 5% of the fifteen hundredth of one percent will be placed in a cash fund account to be used for such other fire protection services as may be deemed necessary by the Board of County Commissioners. This makes the existing Wagoner County Fire Excise (Sales) Tax of .15% permanent. This adds Broken Arrow Fire Department as an equal recipient of the current Wagoner County Fire Excise (Sales) Tax of .15%; effective date per Oklahoma Tax Commissioner is July 1, 2007. These funds are accounted for in the Fire District Sales Tax fund.

D. Interfund Transfers

During the fiscal year, the County made the following transfers:

- The County transferred \$12,644 from the Excess Resale fund, a trust and agency fund, to the Resale Property fund in accordance with 68 O.S. § 3131 (C).
- The County transferred \$7,462 from Fire District Improvement, a trust and agency fund, to Fire District Sales Tax to close out the fund.
- The County transferred \$500,000 from County General to the County Commissioner Use Tax fund as a loan in accordance with Title 68 O.S. § 3021 and a transfer was made from the County Commissioners Use Tax fund to repay the loan as required.
- The County made the following transfers:
 - Special Economic Development fund to County Commissioners Use Tax - \$300,000.
 - County Commissioners Use Tax to the Sheriff Fee Cash fund - \$175,000.
 - County Commissioners Use Tax to Juvenile Drug Court, a trust and agency fund, - \$10,000.

Monies received for use tax is apportioned to the County Commissioners Use Tax and Special Economic Development funds. As per Board of County Commissioners' resolution, this money can be used for any lawful county expenditure. Instead of expending the money from the funds where it was originally apportioned, the Board of County Commissioners made transfers to the funds listed above.

- The County transferred \$112,404 into T-Highway and transferred out \$112,404 from Emergency Transportation Revolving fund (ETR), a trust and agency fund. These transfers were required due to these monies being a loan.

**WAGONER COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

E. Reclassification

Due to the reclassification of funds for fiscal year ending June 30, 2009, the ending balance as reported is different than the June 30, 2008 beginning balance. The difference is due to two funds being reported as a trust and agency fund in fiscal year 2008 that should have been classified as county funds, resulting in an increase of \$480,288.

Prior year ending, as reported	\$21,184,056
Funds moved to county funds	<u>480,288</u>
Prior year ending balance, as restated	<u>\$21,664,344</u>

OTHER SUPPLEMENTARY INFORMATION

WAGONER 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, 2009

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 2,934,997	\$ 3,276,503	\$ 341,506
Less: Prior Year Outstanding Warrants	(352,335)	(352,335)	-
Less: Prior Year Encumbrances	(244,959)	(132,470)	112,489
Beginning Cash Balances, Budgetary Basis	<u>2,337,703</u>	<u>2,791,698</u>	<u>453,995</u>
Receipts:			
Ad Valorem Taxes	3,521,895	3,835,516	313,621
Charges for Services	368,000	404,205	36,205
Intergovernmental Revenues	352,500	788,976	436,476
Miscellaneous Revenues	71,821	307,386	235,565
Total Receipts, Budgetary Basis	<u>4,314,216</u>	<u>5,336,083</u>	<u>1,021,867</u>
Expenditures:			
County Sheriff	1,291,322	1,289,940	1,382
County Treasurer	162,609	162,514	95
County Commissioners	715,912	656,781	59,131
OSU Extension	129,048	129,039	9
County Clerk	404,277	402,699	1,578
Court Clerk	161,424	155,885	5,539
County Assessor	249,756	247,196	2,560
Revaluation of Real Property	533,863	531,982	1,881
General Government	1,022,207	828,734	193,473
Excise-Equalization Board	8,200	6,002	2,198
County Election Board	184,248	179,526	4,722
Insurance	1,490,000	1,157,607	332,393
County Purchasing Agent	47,800	44,552	3,248
Welfare Agencies	1,500	-	1,500
STEP	57,436	57,102	334
Storm Water Management	61,892	51,873	10,019
County Audit Budget Account	70,425	3,782	66,643
Free Fair	60,000	59,962	38
Total Expenditures, Budgetary Basis	<u>6,651,919</u>	<u>5,965,176</u>	<u>686,743</u>

Continued on next page

* Variance due to budget maker making correction in budget but County did not make correction until the next fiscal year.

**WAGONER COUNTY, OKLAHOMA
 COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
 CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
 GENERAL FUND - CONTINUED
 FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	General Fund		
	Budget	Actual	Variance
Continued from previous page			
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	2,162,605	\$ 2,162,605
Operating Transfers Out		(341,506)	
Reconciliation to Statement of Receipts, Add: Current Year Outstanding Warrants		259,365	
Add: Current Year Encumbrances		107,514	
Ending Cash Balance		\$ 2,187,978	

* Variance due to budget maker making correction in budget but County did not make correction until the next fiscal year.

WAGONER 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, 2009

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 756,971	\$ 757,066	\$ 95
Less: Prior Year Outstanding Warrants	(141,394)	(141,394)	-
Less: Prior Year Encumbrances	(11,600)	(10,723)	877
Beginning Cash Balances, Budgetary Basis	603,977	604,949	972
Receipts:			
Ad Valorem Taxes	881,327	959,809	78,482
Charges for services	132,784	135,872	3,088
Miscellaneous Revenues	-	290	290
Total Receipts, Budgetary Basis	1,014,111	1,095,971	81,860
Expenditures:			
Health and Welfare	1,618,088	1,140,100	477,988
Total Expenditures, Budgetary Basis	1,618,088	1,140,100	477,988
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	560,820	\$ 560,820
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		69,370	
Add: Current Year Outstanding Warrants		778	
Ending Cash Balance		\$ 630,968	

WAGONER COUNTY, OKLAHOMA
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS—
REMAINING AGGREGATE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Beginning Cash Balances July 1, 2008	Receipts AppORTioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2009
Remaining Aggregate Funds:						
Treasurer Mortgage Certification	\$ 278,255	\$ 19,565	\$ -	\$ -	\$ 8,104	\$ 289,716
Local Law Enforcement Grant	65	-	-	65	-	-
Community Service Sentencing Program	45,863	50,056	-	-	8,161	87,758
Resale Property	350,734	250,065	9,142	-	252,156	357,785
Storm Shelter Rebate	2,040	-	-	-	-	2,040
Law Enforcement/Corp of Engineers	77,620	19,788	-	92,447	4,961	-
Home Detention	541	926	-	-	997	470
County Clerk Lien Fee	67,890	27,035	-	-	41,034	53,891
Sheriff Fee Cash Fund	257,787	297,929	128,022	-	314,813	368,925
Sheriff "Trash" Cops	1,729	-	-	1,729	-	-
Assessor Visual Inspection	16	-	-	-	-	16
Assessor Revolving	16,400	6,670	-	-	16,834	6,236
Community Sentencing - DOC	60,856	57,469	-	-	82,836	35,489
County Clerk Records Preservation	237,502	84,980	-	-	260,580	61,902
REAP Grant	28,159	39,708	-	-	22,650	45,217
Sheriff Violence Against Women Act	5,109	-	-	3,372	1,737	-
Sheriff Training Fund	946	-	-	946	-	-
Sheriff Drug Education	29,463	-	-	29,463	-	-
Sheriff Contract Prison	161,876	70,740	-	-	70,926	161,690
Sheriff Commissary Fund	21,457	54,309	-	-	20,219	55,547
Drill Instructor Fund	354	-	-	354	-	-
Youth Graduated Sanction (STEP) Grant	813	470	-	-	61	1,222
MD "Catch" Grant	-	130,000	-	-	40,010	89,990
Community Development Block Grant	-	149,750	-	-	149,750	-
STEP Program Cash Fund	-	23,143	354	-	70	23,427
911 Emergency Cash	471,149	225,376	-	-	158,650	537,875
Civil Defense Cash Fund	9,139	15,520	-	-	7,259	17,400
Combined Total - Remaining Aggregate Funds	\$ 2,125,763	\$ 1,523,499	\$ 137,518	\$ 128,376	\$ 1,461,808	\$ 2,196,596

**WAGONER COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

1. Budgetary Schedules

The Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis for the General Fund has not been presented. Therefore, the legally adopted budget cannot be compared with actual data for the General Fund. 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:

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

Local Law Enforcement Grant – accounts for the collection and disbursement of grant monies received from the Department of Justice for local law enforcement agencies.

Community Service Sentencing Program – accounts for funds received from the State Department of Corrections to reimburse the County for the expense of administering the Community Service Sentencing Program.

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

Storm Shelter Rebate – accounts for federal grant funds received for the reimbursement of storm shelter installation.

Law Enforcement/Corp of Engineers – accounts for revenues received from the Corp of Engineers to provide additional lake patrol.

Home Detention – accounts for reimbursement from the Tulsa County Juvenile Bureau to the County Sheriff for the detention and supervision of juveniles.

**WAGONER COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

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

Sheriff "Trash" Cops – accounts for grant funds received from the State of Oklahoma for the enforcement of trash and litter laws.

Assessor Visual Inspection – accounts for collection and expenditures of monies by the Assessor as restricted by state statute for the visual inspection program.

Assessor Revolving – accounts for the collection of fees for copies and disbursed as restricted by state statute.

Community Sentencing - DOC – accounts for monies received from the State Department of Corrections for administrative expenses and supervision of offenders.

County Clerk Records Preservation – accounts for fees collected for instruments filed in the registrar of deeds as restricted by statute for preservation of records.

REAP Grant – accounts for state grant monies received for road and highway improvements in Wagoner County.

Sheriff Violence Against Women Act – accounts for grant monies received from the U.S. Department of Justice and disbursed for the payroll of a sheriff deputy.

Sheriff Training Fund – accounts for money received by donation and used to defray the cost of attending law enforcement classes.

Sheriff Drug Education – revenue is from monies seized and forfeited to the Sheriff's office. Disbursements are for the maintenance and operation of the Sheriff's Drug Task Force.

Sheriff Contract Prison – accounts for revenues from the Department of Corrections for the housing and care of inmates.

Sheriff Commissary Fund – accounts for the collection of fees transferred from the inmate trust account for commissary items and disbursement of funds as restricted by state statute.

Drill Instructor Fund – accounts for monies previously allocated from the General Fund for juvenile rehabilitation.

**WAGONER COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Youth Graduated Sanction (STEP) Grant – accounts for grants and fees collected from juvenile offenders who participate in the program. Disbursements are for drug testing of participants and administrative costs of the program.

MD “Catch” Grant – accounts for revenues received from St. Francis Health System Foundation to fund the Wagoner County Health Department. Disbursements are for the payment of salaries and other needs related to client education for a healthy lifestyle.

Community Development Block Grant – accounts for the receipt of federal grant monies for the purpose of water supply improvements at Rural Water District 9.

STEP Program Cash Fund – accounts for the receipt of state grant monies to fund a program to keep juveniles in school.

911 Emergency Cash – accounts for the collection of fees charged on telephone bills for the County’s emergency 911 system. Disbursements are for expenditures related to providing 911 services.

Civil Defense Cash Fund - revenues are from state and federal funds. Disbursements are for civil defense.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**WAGONER COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. DEPARTMENT OF DEFENSE			
Direct Grant:			
Payment to States in Lieu of Real Estate Taxes	12.112		\$ 25,017
Total U.S. Department of Defense			<u>25,017</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed Through the Oklahoma Department of Commerce:			
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	12893 CDBG 07	149,750
Total U.S. Department of Housing and Urban Development			<u>149,750</u>
U.S. DEPARTMENT OF INTERIOR			
Direct Grant:			
Payments in Lieu of Taxes	15.226		152,210
Total U.S. Department of Interior			<u>152,210</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed Through the Oklahoma Department of Emergency Management:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR-1754	191,292
Emergency Management Performance Grants (EMPG)	97.042		2,728
Total U.S. Department of Homeland Security			<u>194,020</u>
Total Expenditures of Federal Awards			<u>\$ 520,997</u>

**WAGONER COUNTY, OKLAHOMA
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Basis of Presentation

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

INTERNAL CONTROL AND COMPLIANCE SECTION



Oklahoma State Auditor & Inspector

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

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
WAGONER COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Wagoner County, Oklahoma, as of and for the year ended June 30, 2009, which comprises Wagoner County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated April 29, 2014. Our report on the basic financial statement was adverse because the statement is not a presentation in conformity with accounting principles generally accepted in the United States of America. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County for the year ended June 30, 2009, on the basis of accounting prescribed by Oklahoma state law, described in Note 1. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Wagoner County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Wagoner County's internal control over financial reporting.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in internal control described in the accompanying schedule of findings and questioned costs to be material weaknesses in internal control over financial reporting. 2009-1, 2009-2, 2009-3, 2009-4, and 2009-19.

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 in internal control described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting. 2009-15.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Wagoner County's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2009-4.

We noted certain matters that we reported to the management of Wagoner County, which are included in Section 4 of the schedule of findings and questioned costs contained in this report.

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

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



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

April 29, 2014



Oklahoma State Auditor & Inspector

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

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

TO THE OFFICERS OF
WAGONER COUNTY, OKLAHOMA

Compliance

We have audited the compliance of Wagoner County, Oklahoma, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on Wagoner County's major federal program for the year ended June 30, 2009. Wagoner County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs is the responsibility of Wagoner County's management. Our responsibility is to express an opinion on Wagoner County's compliance based on our audit.

As described in item 2009-16, in the accompanying schedule of findings and questioned costs, Wagoner County did not comply with relevant OMB Circular A-133 Compliance Requirements to its Disaster Grants – Public Assistance (97.036). Wagoner County did not maintain documentation to support costs charged to the program: the County was unable to support the work performed with detailed documentation which should have included purchase orders, invoices and transfer documents to verify materials used; timesheets for the labor charged to the project; and a record of equipment usage. Without the detailed supporting documentation, there was no assurance that the work had been completed or that expenditures were expended in accordance with federal compliance requirements.

We were unable to obtain sufficient documentation supporting the compliance of Wagoner County with the relevant OMB Circular A-133 Compliance Requirements for the program Disaster Grants – Public Assistance (97.036), nor were we able to satisfy ourselves as to Wagoner County's compliance with those requirements by other auditing procedures. The scope of our work was not sufficient to enable us to express, and we do not express, an opinion on Wagoner County's compliance with requirements described in the OMB Circular A-133 Compliance Supplement that are applicable to its major federal program Disaster Grants – Public Assistance (97.036). Also in our opinion, Wagoner County complied in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major program, Community Development Block Grant/State's program and Non-Entitlement Grants in Hawaii (14.228) for the year ended June 30, 2009.

Internal Control Over Compliance

Management of Wagoner County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Wagoner County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Wagoner County's internal control over compliance.

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2009-17 and 2009-18 to be material weaknesses.

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

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

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

April 29, 2014

**WAGONER COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

SECTION 1—Summary of Auditor’s Results

Financial Statements

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

Internal control over financial reporting:

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

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

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?..... Yes
- Significant deficiency(ies) identified? No

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

- Disclaimer of opinion - Disaster Grants – Public Assistance (Presidentially Declared Disasters (97.036)
- Unqualified Opinion - Community Development Block Grants/State’s program and Non-Entitlement Grants in Hawaii (14.228)

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

Identification of Major Programs

CFDA Number(s)
97.036

Name of Federal Program or Cluster
Disaster Grants - Public Assistance
(Presidentially Declared Disasters)

**WAGONER COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Identification of Major Programs (Continued)

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community Development Block Grants/State's program and Non- Entitlement Grants in Hawaii
Dollar threshold used to distinguish between Type A and Type B programs: \$300,000	
Auditee qualified as low-risk auditee?..... No	

**WAGONER COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

Finding 2009-1 – Inadequate County-Wide Controls (Repeat Finding)

Condition: County-wide controls regarding Risk Management and Monitoring have not been designed.

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

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

Recommendation: The Oklahoma State Auditor and Inspector's Office (OSAI) recommends that the County design procedures to identify and address risks. OSAI also recommends that 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.

Management Response:

Chairman, Board of County Commissioners: The Board of County Commissioners met with a company in 2012 that provides Risk Management but at the time of this letter their findings and recommendations had not been presented. The Board of County Commissioners are also working with the Emergency Management Director who is creating a recovery plan and template for all departments to participate in creating an emergency response team. Wagoner County will also continue to participate in training classes that are offered to help increase the accuracy and completeness of County operations.

Wagoner County will also have an agenda item to discuss the audit findings with all the County offices in the Courthouse and do follow-ups to determine that the audit findings are corrected. Also periodically review budgeted amounts and resolve unexplained variances to help eliminate unrecorded transactions, undetected errors or misappropriation of funds.

Criteria: Internal control is an integral component of an organization's management that provides reasonable assurance that the objectives of effectiveness and efficiency of operations, reliability of financial reporting and compliance with laws and regulations are being made. Internal control comprises the plans, methods, and procedures used to meet missions, goals, and objectives. Internal control also serves as the first line of defense in safeguarding assets and preventing and detecting errors and fraud. County management is responsible for designing a county-wide internal control system comprised of Control Environment, Risk Assessment, Information and Communication, and Monitoring for the achievement of these goals.

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

**WAGONER COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

decide upon the internal control activities required to mitigate those risks and achieve the internal control objectives of efficient and effective operations, reliable financial reporting, and compliance with laws and regulations.

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

Finding 2009-2 – Disaster Recovery Plan - County Clerk and County Treasurer (Repeat Finding)

Condition: The County Treasurer did not have a written Disaster Recovery Plan until June 2012 and the County Clerk does not have a written Disaster Recovery Plan.

Cause of Condition: Procedures have not been designed to develop and implement a formal Disaster Recovery Plan.

Effect of Condition: The failure to have a formal Disaster Recovery Plan could result in the County being unable to continue business in the event of a disaster.

Recommendation: OSAI recommends the County Treasurer and County Clerk develop a current Disaster Recovery Plan which is stored off-site. The County should study and act on different proposals to ensure that back-up tapes of all records in the County are stored in a safe, secure, and remote location, off the premises from the courthouse, where information could be easily retrieved by authorized personnel in the event of a disaster.

Management Response:

County Clerk: Although a complete Disaster Recovery Plan is not in place at this time for the County Clerk's office, the following measures have been taken:

- All data systems are currently backed up both internally via external hard drive, as well as redundant cloud-based back-up off-site.
- A list of emergency contacts for all staff and all computer systems (i.e., various software vendors) is kept on Google drive and is accessible from any computer so that in the event of a disaster, it is easily available to restore data.
- The County has enlisted the assistance of a vendor to identify areas of risk in an effort to reduce those risks which may cause an emergency situation.

Additionally, as a partial result of these audit findings, the Wagoner County Safety Director is now in the process of identifying possible alternative locations where the County may conduct business in the event of an emergency and what resources will be needed to re-establish services at that time. Each county

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department has been tasked with providing information to him regarding equipment, supplies, and software which would be needed by their individual departments should services need to relocate including all software vendors and other resources to facilitate relocation and re-establishment of services. This information will be compiled into a comprehensive county-wide Disaster Recovery Plan and will be kept in multiple locations throughout the County.

County Treasurer: A Disaster Recovery Plan is in the planning stages with some rudimentary plans put into place by the Treasurer's office in June, 2012.

Criteria: According to the standards of the Information Systems Audit and Control Association's (COBIT Delivery and Support 4.3), management should ensure that a written Disaster Recovery Plan is documented and contains the following:

- Guidelines on how to use the Recovery Plan,
- Emergency procedures to ensure the safety of all affected staff members,
- Roles and responsibilities of information services function, vendors providing recovery services, users of services and support administrative personnel,
- Listing of systems requiring alternatives (hardware, peripherals, software),
- Listing of highest to lowest priority applications, required recovery times and expected performance norms,
- Various recovery scenarios from minor to loss of total capability and response to each in sufficient detail for step-by-step execution,
- Specific equipment and supply needs are identified such as high speed printers, signatures, forms, communications equipment, telephones, etc. and a source and alternative source defined,
- Training and/or awareness of individual and group roles in continuity plan,
- Listing of contracted service providers,
- Logistical information on location of key resources, including back-up site for recovery operating system, applications, data files, operating manuals and program/system/user documentation,
- Current names, addresses, telephone/pager numbers of key personnel,
- Business resumption alternatives for all users for establishing alternative work locations once IT resources are available.

According to the standards of the Information Systems Audit and Control Association (CobiT 4.1, Delivery and Support, 5.3 Identity Management), information services function management should ensure that all users (internal, external, and temporary) and their activity on IT systems (business application, IT environment, system operations, development, and maintenance) are uniquely identifiable. Enable user identities via authentication mechanisms. Confirm that user access rights to systems and data are in line with defined and documented business needs and that job requirements are attached to user identities. Ensure that user access rights are requested by user management, approved by system owners and implemented by the security-responsible person. Maintain user identities and access rights in a central repository. Deploy cost-effective technical and procedural measures, and keep them current to establish user identification, implement authentication and enforce access rights.

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Finding 2009-3 – Inadequate Segregation of Duties Over Receipting and Balancing Processes (Repeat Finding)

Condition: Upon inquiry and observation of the receipting and balancing processes of the County Treasurer's office, the following was noted:

The County Treasurer has six full-time deputies that work from one cash drawer. While the County Treasurer has implemented some controls, employees that issue receipts also prepare the deposit and/or take the deposit to the bank, as well as balance cash drawer and perform bank reconciliations.

Cause of Condition: Procedures have not been designed to adequately segregate the duties over the receipting and balancing processes within the office of the County Treasurer.

Effect of Condition: A single person having responsibility for more than one area of recording, authorization, custody of assets, and execution of transactions could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner.

Recommendation: OSAI recommends management be aware of these conditions and realize that a concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective procedures lie in management's overseeing of office operations and a periodic review of operations. OSAI recommends management provide segregation of duties so that no one employee is able to perform all accounting functions. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating procedures to mitigate the risks involved with a concentration of duties. Compensating procedures would include separating key processes and/or critical functions of the office, and having management review and approval of accounting functions.

Management Response:

County Treasurer: While all positions are cross-trained and put into rotation, those positions/duties are kept separate from other compromising duties except when it is not feasible to do so in the interest of customer service.

All processes involving money (i.e., recording, deposits, etc.) transactions are monitored and reviewed by at least one other person. This was not being noted; a process of initializing was implemented to assure and illustrate these reviews being accomplished.

As for addressing the issue of one cash drawer for all employees; we will be investigating and attempting various methods to correct this problem.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, the duties of receiving, receipting, recording, depositing cash and checks, reconciliations, and transaction authorization should be segregated.

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Finding 2009-4 – Inadequate Internal Controls and Noncompliance Over Purchasing (Repeat Finding)

Condition: Our test of fifty-two purchase orders, documented that three were not timely encumbered.

Fund	Office/District	Purchase Order Number	Amount
T-Highway	District 3	3177	\$9,140.00
1 Cent Sales Tax	District 3	6928	\$30,600.00
T-Highway	District 2	1141	\$202,259.29

Cause of Condition: The County is not following established purchasing procedures.

Effect of Condition: These conditions resulted in noncompliance with state statutes. In addition, the County runs the risk of misappropriation of funds and the possibility of not having adequate funds available to pay for expenses incurred.

Recommendation: OSAI recommends Wagoner County practice proper purchasing procedures. All purchases should be properly requisitioned, encumbered, approved, and reviewed with proper supporting documentation attached.

Management Response:

County Clerk: All purchases are required both by statute and by the County Clerk's office to follow proper purchasing procedures. On the rare occasion when procedures are not followed, those purchase orders which have failed to do so are sent to the District Attorney's office for approval and signature before they are processed for payment. The only alternative to this practice, particularly in the instance where funds were not encumbered prior to purchase, is non-payment, which for obvious reasons is not a viable solution.

The equipment purchased with purchase order 6928 was selected via sealed bid; however funds were not encumbered immediately following the bid opening. Procedures are now in place to encumber funds immediately following the award to avoid recurrence of this issue.

No explanation may be given for failure to follow procedures for purchase order 3177 or purchase order 1141, as the current County Clerk was not in office at that time nor were any of the current County Commissioners.

Criteria: Statutory control procedures have been established for the requisition, purchase, lease-purchase, rental, and receipt of supplies, material, and equipment for maintenance, operation and capital expenditures of county government. Effective accounting procedures and internal controls are necessary to ensure stewardship and accountability of public funds. Safeguarding controls are an aspect of internal controls. Safeguarding controls relate to the prevention or timely detection of unauthorized transaction and unauthorized access to assets.

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19 O.S. § 1505.C.2 states in part:

The county clerk shall then encumber the amount stated on the purchase order and assign a sequential number to the purchase order.

19 O.S. § 1505.C.3 states in part:

...In instances where it is impossible to ascertain the exact amount of the indebtedness sought to be incurred at the time of recording the encumbrance, an estimated amount may be used. No purchase order shall be valid unless signed by the county purchasing agent and certified by the county clerk.

19 O.S. § 1505.E.10 states in part:

Upon receipt of an invoice, the county clerk shall compare the following documents: a. requisition, b. purchase order, c. invoice with non-collusion affidavit, as required by law, d. receiving report, and e. delivery document

Finding 2009-15 – Noncompliance with State Statutes Regarding Financing of Equipment (Repeat Finding)

Condition: County Commissioner District 3 purchased a Gradall XL3100 for \$268,330 and financed the equipment at a local bank.

Cause of Condition: The County did not follow the policies and procedures designed by the Oklahoma Constitution regarding the creation of a debt, purchasing, and lease purchase process.

Effect of Condition: This condition resulted in the County becoming indebted past the current fiscal year without a vote of the people and noncompliance with state purchasing and bidding laws.

Recommendation: OSAI recommends that items are properly bid when entering into a lease purchase, which requires the vendor to obtain financing for the items. Additionally, no financing should be obtained that would indebted the County past the current fiscal year without approval of three-fifths (3/5) vote of the citizens of Wagoner County.

Management Response:

County Commissioner District 3: The lease/purchase for the Gradall XL3100 was entered into prior to my term in office. An attempt was made in October of 2012 to sell or trade in this piece of equipment, however, the highest offer received was only \$118,000 far below market value and the remaining balance on the contract, so all offers were rejected at that time.

The County is currently working with the financial institution to correct the contractual documentation to reflect a lease/purchase rather than a loan, similar to the method used to correct all other incorrect documentation.

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Criteria: Oklahoma Constitution Article X, § 26 states in part, "... no county shall be allowed to become indebted, in any manner, or for any purpose, to an amount exceeding, in any year, the income and revenue provided for such year without the assent of three-fifths of the voters thereof voting at an election, to be held for that purpose, nor in cases requiring such assent..."

19 O.S. §1501 prescribes the purchasing agent shall make purchases and rental or lease-purchase agreements only after following the bidding procedures as provided by law.

19 O.S. § 1505 prescribes established for the requisition, purchase, lease-purchase, rental and receipt or supplies, materials, and equipment for maintenance, operation, and capital expenditures of county government.

Finding 2009-19 – Inadequate Internal Controls Over Signature Stamps – Chairman, Board of County Commissioners and County Clerk

Condition: While gaining an understanding of the purchasing process, we noted that the County Clerk and Chairman are allowing someone other than themselves to use their signature stamp.

Cause of Condition: The Chairman and County Clerk do not have physical control of their signature stamps.

Effect of Condition: These conditions could result in an unauthorized transactions and misappropriation of funds.

Recommendation: OSAI recommends that signature stamps only be used by the official. Officials who utilize signature stamps should ensure that the stamp is adequately safeguarded from unauthorized use.

Management Response:

County Clerk: The issue of original signatures/signature stamps was discussed during a recent training attended by the current County Clerk. As a result, going forward only the elected official whose name appears on the stamp, will utilize the signature stamp, or an actual signature will appear on the document.

Criteria: An aspect of internal control is the safeguarding of assets. Internal controls over safeguarding of assets constitute a process, affected by the entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or untimely detection of unauthorized acquisition, use, or disposition of the entity's assets from loss, damage, or misappropriation.

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

Finding 2009-16 – Supporting Documentation – FEMA (Repeat Finding)

PASS-THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: United States Department of Homeland Security

CFDA NO: 97.036

FEDERAL PROGRAM NAME: Disaster Grants - Public Assistance (Presidentially Declared Disasters)

FEDERAL AWARD NUMBER: 1754

FEDERAL AWARD YEAR: 2009

CONTROL CATEGORY: Activities Allowed or Unallowed, Allowable Costs/Cost Principles

QUESTIONED COSTS: \$191,291.22

Condition: District 3 was unable to provide adequate documentation to support the federal monies disbursed for Disaster 1754 totaling \$191,291.22.

Cause of Condition: The County has not designed procedures to ensure compliance with OMB Circular A-133.

Effect of Condition: These conditions resulted in the County having incomplete records and noncompliance with OMB Circular A-133. Documentation was not available for audit purposes.

Recommendation: OSAI recommends the County maintain all documentation to support work performed for each project worksheet.

Management Response:

County Commissioner District 3: I was not the County Commissioner of District 3, at the time of this award and cannot speak to any documentation relative to this disaster or lack thereof.

Wagoner County has since put in place procedures to track expenditures relative to any potential declared disaster in advance including the coordination of documentation for SEFA reporting through the County Clerk's office in an effort to avoid future incidence of missing, incomplete, or inaccurate reporting.

Chairman, Board of County Commissioners: The current District 3 Commissioner was not in office at the time of this event and cannot offer explanation regarding failure to keep adequate documentation for this disaster grant. The County has since established procedures to accurately track expenditures.

Criteria: OMB Circular A-87 C.1.j. states:

1. Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria:
 - j. Be adequately documented.

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FEMA Public Assistance Guide; Chapter 5, page 137, Project Management, Record Keeping states in part, "It is critical that the applicant establish and maintain accurate records of events and expenditures related to disaster recovery work... This information should include the completed PW; completed Special Consideration Questions form; estimated and actual costs; force account labor; force account equipment, materials, and purchases; photographs of damage, work underway, and work completed; insurance information; environmental and/or historic alternatives and hazard mitigation opportunities considered; environmental review documents; receipt and disbursement documents; and record of donated goods and services, if any."

Finding 2009-17 – Inadequate Internal Controls Over Federal Compliance Requirements – CDBG and FEMA

PASS-THROUGH GRANTOR: Oklahoma Department of Commerce; Oklahoma Department of Emergency Management

FEDERAL AGENCY: United States Department of Housing and Urban Development; United States Department of Homeland Security

CFDA NO: 14.228, 97.036

FEDERAL PROGRAM NAME: Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii, Disaster Grants - Public Assistance (Presidentially Declared Disasters)

FEDERAL AWARD NUMBER: 12893 CDBG 07, DR-1754

FEDERAL AWARD YEAR: 2007, 2009

CONTROL CATEGORY: Activities Allowed/Unallowed; Allowable Costs/Cost Principles; Cash Management; Davis Bacon Act; Matching Level of Effort/Earmarking; Period of Availability; and Procurement and Suspension and Debarment

QUESTIONED COSTS: \$-0-

Condition: During the process of documenting the County's internal controls regarding federal disbursements, we noted that Wagoner County has not established internal controls to ensure compliance with the following compliance requirements: Activities Allowed/Unallowed; Allowable Costs/Cost Principles; Cash Management; Davis Bacon Act; Matching Level of Effort/Earmarking; Period of Availability; and Procurement and Suspension and Debarment.

Cause of Condition: Procedures have not been designed to ensure compliance with OMB Circular A-133.

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

Recommendation: OSAI recommends the County gain an understanding of requirements for these programs and implement internal controls to ensure compliance with grant requirements.

Management Response:

Chairman, Board of County Commissioners: Wagoner County will strive to become more familiar with the grants and learn more about the specifics of each grant. We will set up a special Board of County

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Commissioners meeting with all departments and individuals involved with the grants to ensure that everyone understands the details and requirements that are affiliated with the grants. We will also design a uniform filing system and maintain internal controls for each grant so that proper monitoring is done in compliance with laws and regulations pertaining to grant contracts.

Criteria: *OMB A-133, Subpart C, §___.300* reads as follows:

Subpart C—Auditees

§___.300 Auditee responsibilities.

The auditee shall:

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

Further, accountability and stewardship should be overall goals in management's accounting of federal funds. Internal controls should be designated to monitor compliance with laws and regulations pertaining to grant contracts.

Finding 2009-18 – Inadequate County-Wide Controls Over Major Programs – CDBG AND FEMA

PASS-THROUGH GRANTOR: Oklahoma Department of Commerce; Oklahoma Department of Emergency Management

FEDERAL AGENCY: United States Department of Housing and Urban Development; United States Department of Homeland Security

CFDA NO: 14.228, 97.036

FEDERAL PROGRAM NAME: Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii, Disaster Grants - Public Assistance (Presidentially Declared Disasters)

FEDERAL AWARD NUMBER: 12893 CDBG 07, DR 1754

FEDERAL AWARD YEAR: 2007, 2009

CONTROL CATEGORY: Activities Allowed/Unallowed; Allowable Costs/Cost Principles; Cash Management; Davis Bacon Act; Matching Level of Effort/Earmarking; Period of Availability; and Procurement and Suspension and Debarment

QUESTIONED COSTS: \$-0-

Condition: County-wide controls regarding Risk Management and Monitoring have not been designed.

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

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

Recommendation: OSAI recommends that the County design procedures to identify and address risks. OSAI also recommends that the County design monitoring procedures to assess the quality of performance

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over time. These procedures should be written policies and procedures and could be included in the County's policies and procedures handbook.

Management Response:

Chairman, Board of County Commissioners: The Board of County Commissioners met with a company in 2012 that provides Risk Management but at the time of this letter their findings and recommendations had not been presented. The Board of County Commissioners are also working with the Emergency Management Director who is creating a recovery plan and template for all departments to participate in creating an emergency response team. Wagoner County will also continue to participate in training classes that are offered to help increase the accuracy and completeness of County operations.

Criteria: Internal control is an integral component of an organization's management that provides reasonable assurance that the objectives of effectiveness and efficiency of operations, reliability of financial reporting and compliance with laws and regulations are being made. Internal control comprises the plans, methods, and procedures used to meet missions, goals, and objectives. Internal control also serves as the first line of defense in safeguarding assets and preventing and detecting errors and fraud. County management is responsible for designing a county-wide internal control system comprised of Control Environment, Risk Assessment, Information and Communication, and Monitoring for the achievement of these goals.

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

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

SECTION 4—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 2009-9 – Inadequate Segregation of Duties – Court Clerk

Condition: The following concerns were noted in regards to recording, authorization, custody, and execution of receipts and expenditures.

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- A single deputy can issue receipts, void receipts, prepare and sign vouchers, authorize purchases, balance cash drawer, prepare reconciliations, and prepare quarterly and annual reports.
- All deputies work out of one cash register.
- Several deputies that issue receipts also have the ability to void receipts.

Cause of Condition: Management has not implemented procedures to separate key functions and processes among various employees in the office or to have levels of review over the processes performed.

Effect of Condition: A single person having responsibility for more than one area of recording, authorization, custody of assets, and execution of transactions could result in unrecorded transactions, misstated financial reports, clerical errors functions of the office, and having management review and approval of accounting functions.

Recommendation: OSAI recommends management be aware of these conditions and realize that a concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective procedures lie in management's overseeing of office operations and a periodic review of operations. OSAI recommends management provide segregation of duties so that no one employee is able to perform all accounting functions. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating procedures to mitigate the risks involved with a concentration of duties. Compensating procedures would include separating key processes and/or critical functions of the office, and having management review and approval of accounting functions.

Management Response:

Court Clerk: I would like to note that my term of office began January 2, 2013, well after these discrepancies occurred. Personnel changes have taken place within the office and experienced deputies placed in responsible positions regarding reporting and financial matters. I will implement policies and procedures to segregate the duties to address the issues listed in the finding.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, key duties and responsibilities should be segregated among different individuals to reduce the risk of error or fraud. No one individual should have the ability to authorize transactions, have physical custody of assets, and record transactions.

Finding 2009-11 – Reconciliations – Court Clerk

Condition: When reviewing the reconciliation reports for the Court Clerk Revolving Fund, we noted the following discrepancies.

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- The balance for June 30, 2009, was reconciled to the County Treasurer's appropriation ledger and not the general ledger. Also, the correct months' collections and disbursements were not properly reported on the quarterly reports.

Cause of Condition: Management has not implemented procedures to ensure the Court Clerk Revolving Fund balances are reconciled to the County Treasurer general ledger balances on a monthly basis.

Effect of Condition: These conditions could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of assets.

Recommendation: OSAI recommends the Court Clerk reconcile the Court Clerk Revolving Fund with the County Treasurer's office monthly and someone other than the preparer review and initial those reconciliations. Furthermore, we recommend that the quarterly reports be the current month's collections and disbursements.

Management Response:

Court Clerk: I would like to note that my term of office began January 2, 2013, well after these discrepancies occurred. Personnel changes have taken place within the office and experienced deputies placed in responsible positions regarding reporting and financial matters. I have implemented procedures to ensure the Court Fund and Court Clerk Revolving Fund balances are reconciled with the County Treasurer's balances monthly.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, the Court Clerk Reconciliation report for the Court Clerk Revolving Fund should reconcile to the County Treasurer's office.

Finding 2009-13 - Inadequate Internal Controls and Noncompliance Over Fixed Assets (Repeat Finding)

Condition: Upon inquiry and observation, we noted the following offices do not have a current, updated inventory listing on file with the County Clerk. Also, there was no documentation that an annual physical inventory of all fixed assets was performed.

- Sheriff's office
- District 3
- Fire Departments: Porter, Taylor Ferry, Tullahassee, Wagoner, Broken Arrow, Oak Grove, Red Bird, Rolling Hills, Stone Bluff, Toppers, Whitehorn, and Okay

Cause of Condition: Policies and procedures have not been designed to ensure inventory is being properly accounted for and updated with the office of the County Clerk.

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

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Recommendation: OSAI recommends the County comply with 19 O.S. § 178.1 by performing and documenting a periodic inventory of fixed assets. The verification should be performed by an individual independent of the fixed asset recordkeeping process.

Management Response:

Chairman, Board of County Commissioners: Wagoner County will implement policies and procedures to ensure inventory is being reconciled on an ongoing basis as equipment is purchased and/or surplused out. Wagoner County will also designate someone to perform an actual walk through inventory by someone other than the person in charge of inventory annually to verify the inventory on hand is accurate as possible.

County Sheriff: A physical inventory of all items within the department will be conducted annually beginning May, 2013 and each year thereafter. Following every physical inventory, a copy shall be provided to the County Clerk's office to reconcile with the previous year report. Additionally, a report will be forwarded to the County Clerk's office as items are purchased by the department.

Criteria: An important aspect of internal controls is the safeguarding of assets. Internal controls 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 acquisition, use or disposition of fixed assets, and safeguarding items from loss, damage, or misappropriation.

Finding 2009-14 – Inadequate Internal Controls and Noncompliance Over the Inmate Trust and Sheriff Commissary Funds (Repeat Finding)

Condition: Regarding the Inmate Trust Fund account, the following weaknesses were noted:

- One person receives money, prepares the deposit, takes the deposit to the bank, and performs the bank reconciliation for the Inmate Trust Fund account.
- Individual Inmate Trust Fund balances are not being reconciled to the bank statements each month.
- Blank checks are being pre-signed.
- The Sheriff's office does not prepare and file an annual report for the Commissary Fund with the Board of County Commissioners by January 15th, of each year.
- All checks issued did not have two authorized signatures.
- All voided receipts were not retained.

After performing testwork regarding Inmate Trust Fund account expenditures, the following noncompliance was noted:

- Checks are being issued to the vendor for commissary items.

Cause of Condition: Policies and procedures have not been designed regarding the Inmate Trust Fund.

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Effect of Condition: These conditions resulted in noncompliance with state statutes. Also, without proper accounting and safeguarding of the Inmate Trust Fund account, there is an increased risk of misappropriation of funds.

Recommendation: OSAI recommends the following:

- Key duties and responsibilities should be segregated among different individuals to reduce the risk of error or fraud. No one individual should have the ability to authorize transactions, have physical custody of assets, and record transactions.
- Inmate Trust Fund monies should be maintained in a manner that reflects each inmate's trust deposit, disbursements, and account balances. The inmate's trust fund balances should be reconciled to the bank statements each month.
- Bank reconciliations should be performed on a monthly basis.
- All collections should be deposited daily.
- The Sheriff should file a report of the commissary with the County Commissioners by January 15th, of each year.
- All checks from the Inmate Trust Fund should have two authorized signatures.
- Expenditures should be made from the Sheriff Commissary Fund in accordance with 19 O.S. § 180.43.

Management Response:

County Sheriff:

- We were unaware that we were not allowed to make disbursements out of the Inmate Trust Fund account to payees other than the inmate or transfers to Sheriff Commissary.
- From this point forward, when a receipt is voided, there will either be either both copies, or a letter attached to our copy explaining why the inmates receipt is not attached.
- We were unaware that blank warrants being pre-signed was not allowed. It has been addressed with the proper persons and is corrected.
- Individual Inmate Trust Fund balances are being reconciled to the bank statements each month, but not the proper way. We have explained the proper way and it is being done.
- We were unaware producing or filing an annual report for the Commissary Fund with the Board of County Commissioners by January 15th, of each year was required. It has been addressed with the proper individuals and will be made available.
- We were unaware that two authorizing signatures were required on warrants. It has been addressed with the proper individuals and has been corrected.
- We were unaware that there was lack of segregation of duties regarding the Inmate Trust Fund with one person being able to receive money, prepare the deposit, take the deposit to the bank, and perform the bank reconciliation for the Inmate Trust Fund account. We have added individuals to segregate these duties to correct the problem.

Criteria: Effective accounting procedures and internal controls are necessary to ensure stewardship and accountability of public funds. Safeguarding controls are an aspect of internal controls. Safeguarding controls relate to the prevention or timely detection of unauthorized transactions and unauthorized access

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to assets. Failure to perform tasks that are part of internal controls, such and individual inmate fund reconciliation not performed, are deficiencies in internal control. Further, reconciliations should be performed on a monthly basis.

Title 19 O.S. § 180.43 E and D states in part, “Any funds received pursuant to said operations shall be the funds of the county where the persons are incarcerated and shall be deposited in the Sheriff’s Commissary Account. The sheriff shall be permitted to expend the funds to improve or provide jail services. The sheriff shall be permitted to expend any surplus in the Sheriff’s Commissary Account for administering expenses for training equipment, travel or for capital expenditures. The claims for expenses shall be filed with and allowed by the board of county commissioners in the same manner as other claims. The Sheriff shall receive no compensation for the operation of said commissary. The sheriff shall file an annual report on any said commissary under his or her operation no later than January 15 of each year.”

Title 19 O.S. § 531A states in part, “The county sheriff may establish a checking account to be designated the “Inmate Trust Checking Account”. The county sheriff shall deposit all monies collected from inmates incarcerated in the county jail into this checking account and may write checks to the Sheriff’s Commissary Account for purchases made by the inmate during his or her incarceration and to the inmate for unencumbered balances due the inmate upon his or her discharge.” In addition, Title 19 O.S. § 531 C. states, “Banking fees on the account may be paid out of the Sheriff Commissary Account of the county Sheriff’s Service Cash Fund.

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Finding 2007-23 – Schedule of Expenditures of Federal Awards

PASS THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: U.S. Department of Homeland Security

CFDA NO: 97.036

FEDERAL PROGRAM NAME: Disaster Grants - Public Assistance (Presidentially Declared Disasters)

FEDERAL AWARD NUMBER: 1678, 1712

FEDERAL AWARD YEAR: 2007

CONTROL CATEGORY: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort, Earmarking; Period of Availability of Federal Funds; Procurement and Suspension and Debarment; and Special Tests and Provisions

QUESTIONED COSTS: \$-0

Finding Summary: The County has not designed and implemented formal internal controls for the reporting of its federal programs as required by OMB Circular A-133. Also, the County has not designed an accounting system or year-end process to accumulate and report its “in-kind” labor and equipment charges reported on the Schedule of Expenditures of Federal Awards.

Status: Corrected.

Finding 2007-24 – FEMA Files – Documentation of Federal Expenditures

PASS-THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: U.S. Department of Homeland Security

CFDA NO: 97.036

FEDERAL PROGRAM NAME: Disaster Grants - Public Assistance (Presidentially Declared Disasters)

FEDERAL AWARD NUMBER: 1678, 1712

FEDERAL AWARD YEAR: 2007

CONTROL CATEGORY: Activities Allowed/Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching Level of Effort/Earmarking; Period of Availability; Procurement, Suspension and Debarment; and Special Tests and Provisions

QUESTIONED COSTS: \$831,296.32

Finding Summary: When performing testwork of the County’s projects, it was noted that there was insufficient documentation to support the federal monies disbursed on disaster 1678 and 1712, at District 1, 2, and 3. The questioned costs of \$831,296.32 for disasters 1678 and 1712 consisted of \$815,515.54 and \$15,780.78, respectively.

Status: Not corrected.

**WAGONER COUNTY, OKLAHOMA
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Finding 2008-23 – Schedule of Expenditures of Federal Awards (Repeat Finding)

PASS THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: U.S. Department of Homeland Security

CFDA NO: 97.036

FEDERAL PROGRAM NAME: Disaster Grants - Public Assistance (Presidentially Declared Disasters)

FEDERAL AWARD NUMBER: 1678, 1712

FEDERAL AWARD YEAR: 2008

CONTROL CATEGORY: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort, Earmarking; Period of Availability of Federal Funds; Procurement and Suspension and Debarment; and Special Tests and Provisions

QUESTIONED COSTS: \$-0

Finding Summary: The County has not designed and implemented formal internal controls for the reporting of its federal programs as required by OMB Circular A-133. Also, the County has not designed an accounting system or year-end process to accumulate and report its “in-kind” labor and equipment charges reported on the Schedule of Expenditures of Federal Awards.

Status: Corrected.

Finding 2008-24 - FEMA Files – Documentation of Federal Expenditures (Repeat Finding)

PASS-THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: U.S. Department of Homeland Security

CFDA NO: 97.036

FEDERAL PROGRAM NAME: Disaster Grants - Public Assistance (Presidentially Declared Disasters)

FEDERAL AWARD NUMBER: 1678, 1712, and 1735

FEDERAL AWARD YEAR: 2008

CONTROL CATEGORY: Activities Allowed/Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching Level of Effort/Earmarking; Period of Availability; Procurement, Suspension and Debarment; and Special Tests and Provisions

QUESTIONED COSTS: \$699,499.18

Finding Summary: When performing testwork of the County’s projects, it was noted that there was insufficient documentation to support the federal monies disbursed on disasters 1678, 1712, and 1735 at District 1, 2, and 3. The questioned cost of \$699,499.18 for disasters 1678, 1712, and 1735 consisted of \$115,587.72, \$208,334.59, and \$375,576.87, respectively.

Status: Not corrected.



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