

COUNTY AUDIT

# WAGONER COUNTY

For the fiscal year ended June 30, 2011



*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, 2011**

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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](http://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, 2011. The audit was conducted in accordance with 19 O.S. § 171.

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

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

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

Sincerely,

A handwritten signature in blue ink that reads "Gary A. Jones".

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

**WAGONER COUNTY, OKLAHOMA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**WAGONER COUNTY, OKLAHOMA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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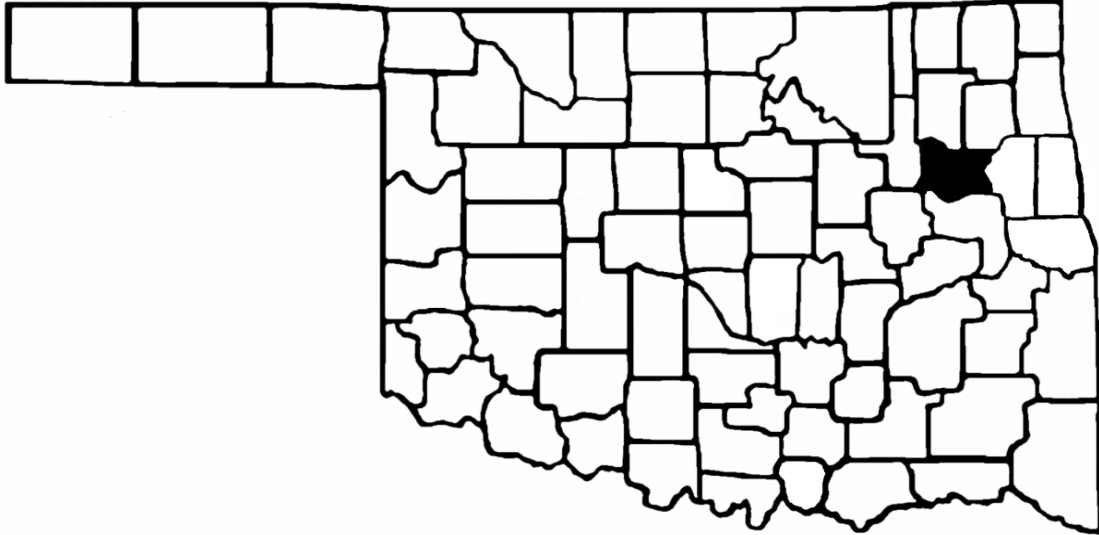
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PRESENTED FOR INFORMATIONAL PURPOSES ONLY**

**WAGONER COUNTY, OKLAHOMA  
STATISTICAL INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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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 – 70,394  
(2009 est.)

Farms – 1,138

Land in Farms – 262,702 Acres

Source: Oklahoma Almanac – 2011-2012

**WAGONER COUNTY OFFICIALS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**Board of County Commissioners**

District 1 – James Hanning  
District 2 – Chris Edwards  
District 3 – Tim Kelley

**County Assessor**

Sandy Hodges

**County Clerk**

Carolyn Kusler

**County Sheriff**

Bob Colbert

**County Treasurer**

Gloria Marshall

**Court Clerk**

Rhonda Vincent

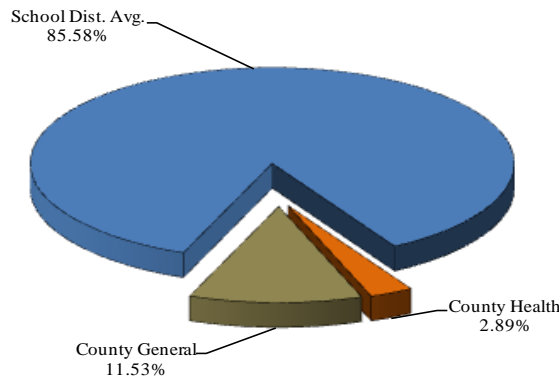
**District Attorney**

Brian Kuester



**WAGONER COUNTY, OKLAHOMA  
AD VALOREM TAX DISTRIBUTION  
SHARE OF THE AVERAGE MILLAGE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

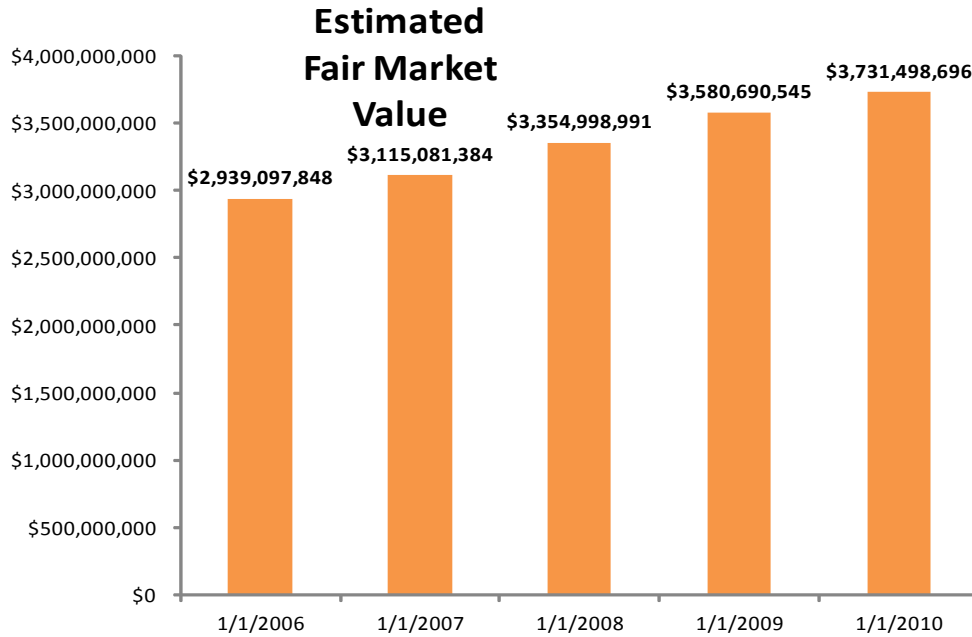
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the 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	28.80	8.11	2.03	4.13	84.43
		Okay	I-17	36.17	5.17	8.62	8.11	2.03	4.13	64.23
		Wagoner	I-19	35.79	5.11	15.56	8.11	2.03	4.13	70.73
		Porter	I-365	36.77	5.25	18.18	8.11	2.03	4.13	74.47
		Haskell	Musk. 2	36.31	5.19	21.44	8.11	2.03	4.13	77.21
		Ft. Gibson	Musk. 3	35.51	5.07	12.08	8.11	2.03	4.13	66.93
		Catoosa	Rogers 2	35.84	5.12	18.80	8.13	5.08	4.13	77.10
		Inola	Rogers 5	37.15	5.31	19.59	10.36	1.00	4.13	77.54
		Locust Grove	Mayes 17	38.84	5.55	27.50	10.36	1.00	4.13	87.38
		Mazie	Mayes 32	36.07	5.15	5.99	10.36	1.00	4.13	62.70
		Tulsa	Tulsa 1	35.55	5.16	22.70	8.13	5.08	4.13	80.75
		Broken Arrow	Tulsa 3	36.15	5.16	27.65	8.13	5.08	4.13	86.30
		Bixby	Tulsa 4	36.31	5.19	26.11	8.13	5.08	4.13	84.95

**WAGONER COUNTY, OKLAHOMA  
 ASSESSED VALUE OF PROPERTY  
 TREND ANALYSIS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

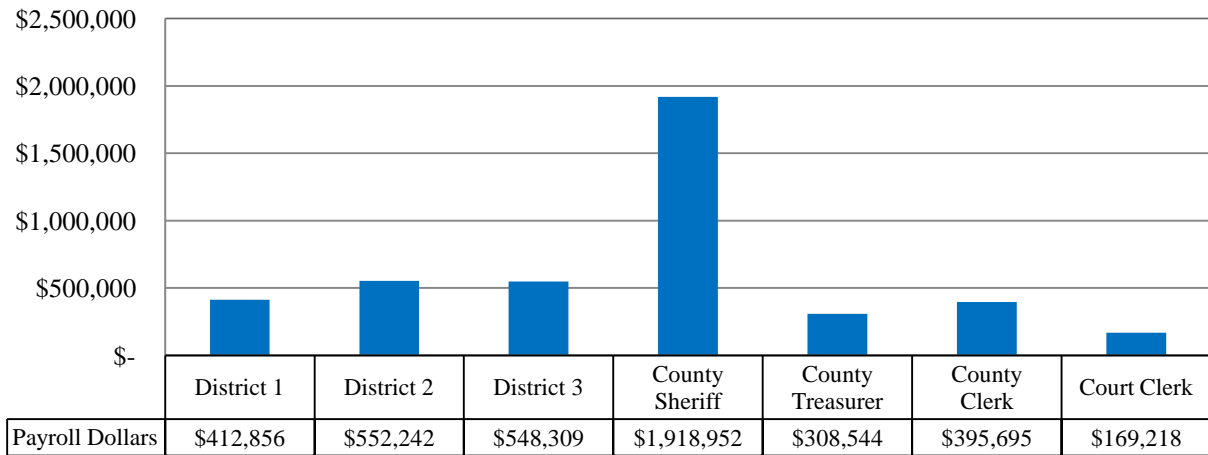
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2010	\$52,425,628	\$30,132,223	\$353,177,549	\$17,807,546	\$417,927,854	\$3,731,498,696
1/1/2009	\$50,522,835	\$29,554,002	\$338,563,249	\$17,602,745	\$401,037,341	\$3,580,690,545
1/1/2008	\$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



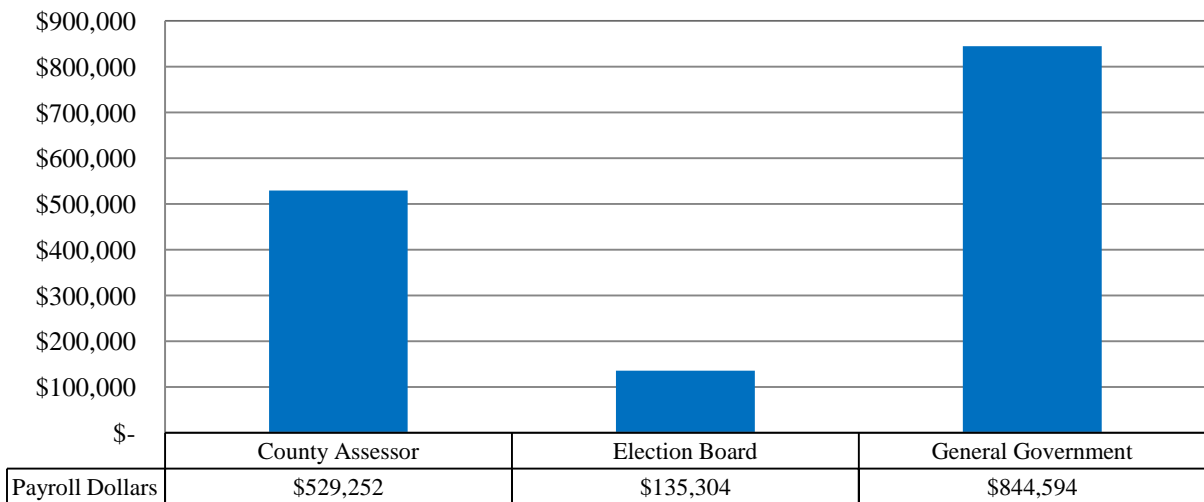
**WAGONER COUNTY, OKLAHOMA  
COUNTY PAYROLL EXPENDITURES ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**

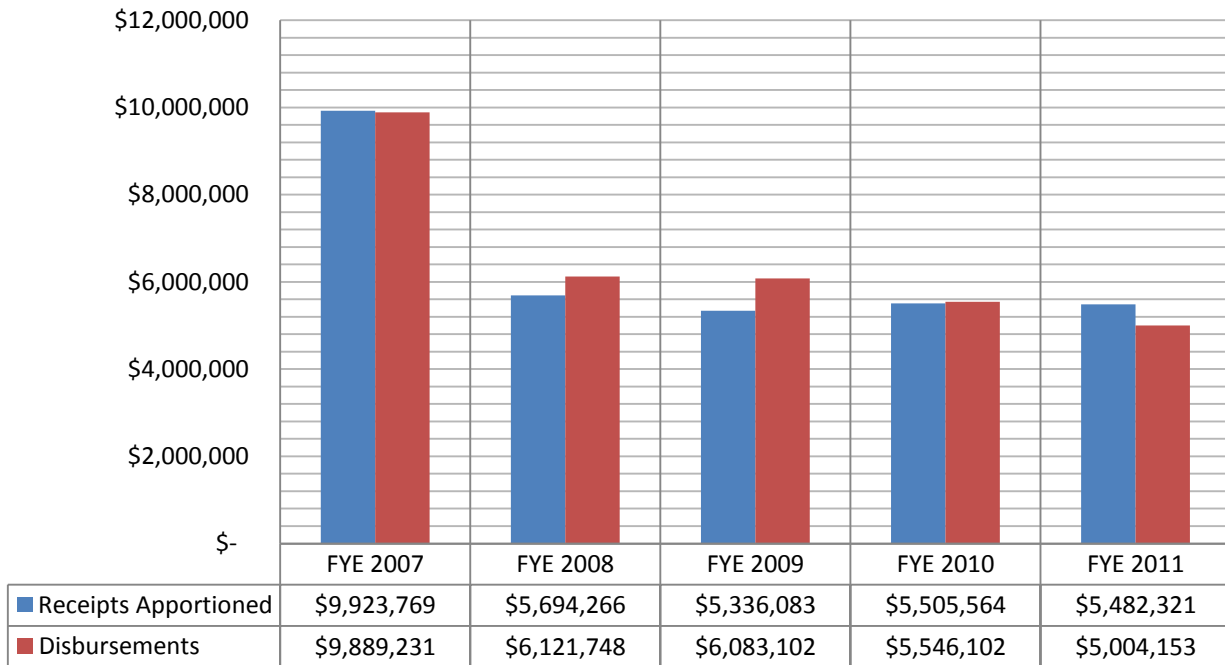


**WAGONER COUNTY, OKLAHOMA  
COUNTY GENERAL FUND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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## 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.

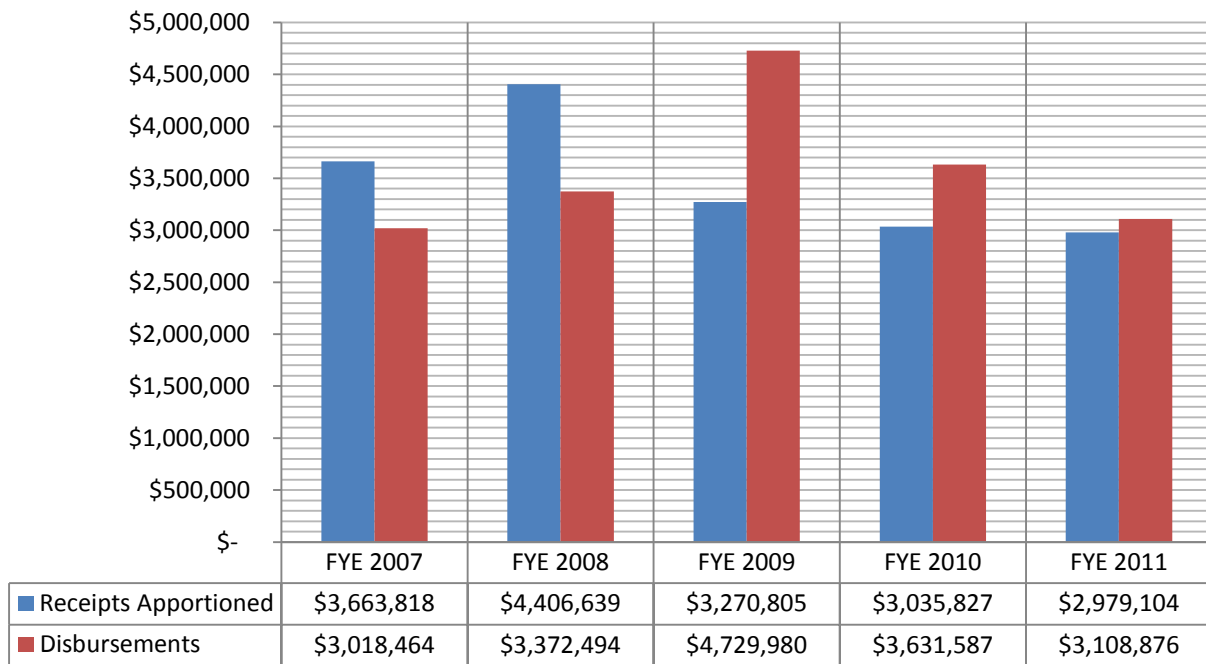


**WAGONER COUNTY, OKLAHOMA  
COUNTY HIGHWAY FUND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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## 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, 2011, 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, 2011, 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, 2011, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2013, 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, 2013



**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, 2011**

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	Beginning Cash Balances July 1, 2010	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2011
Combining Information:						
Major Funds:						
County General	\$ 2,147,440	\$ 5,482,321	\$ -	\$ -	\$ 5,004,153	\$ 2,625,608
T-Highway	1,505,617	2,979,104	4,346	-	3,108,876	1,380,191
County Health	926,104	1,214,876	-	-	750,971	1,390,009
Fire District Sales Tax	1,032,986	1,347,898	-	-	1,089,638	1,291,246
1 Cent Sales Tax	2,898,628	4,484,973	-	-	3,764,642	3,618,959
Special Economic Development	1,187,835	416,145	-	100,000	165,994	1,337,986
County Commissioners Use Tax	727,326	370,382	-	243,927	255,488	598,293
Sheriff Fee Cash Fund	453,580	309,092	125,000	-	495,679	391,993
County Bridge and Road Improvement	-	448,026	-	264,842	9,354	173,830
Courthouse Building and Maintenance	7,038,875	56,726	-	-	165,242	6,930,359
Remaining Aggregate Funds	1,984,327	1,746,052	195,426	1,646	1,722,140	2,202,019
<b>Combined Total - All County Funds</b>	<b>\$ 19,902,718</b>	<b>\$ 18,855,595</b>	<b>\$ 324,772</b>	<b>\$ 610,415</b>	<b>\$ 16,532,177</b>	<b>\$ 21,940,493</b>

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, 2011**

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**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, 2011**

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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.

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

County Bridge and Road Improvement – accounts for state receipts and disbursements for the purpose of maintaining bridges and roads.

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.

**WAGONER COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**E. Cash and Investments**

For the purposes of financial reporting, "Ending Cash Balances, June 30" includes cash and cash equivalents and investments as allowed by statutes. The County pools the cash of its various funds in maintaining its bank accounts. However, cash applicable to a particular fund is readily identifiable on the County's books. The balance in the pooled cash accounts is available to meet current operating requirements.

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

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

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

**WAGONER COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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includes financial statements and supplementary information. That report may be obtained by writing OPERS, P.O. Box 53007, Oklahoma City, Oklahoma 73105 or by calling 1-800-733-9008.

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

**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 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 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,

**WAGONER COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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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 between cash funds:

- The County transferred \$2,700 from the County Bridge and Road Improvement fund to reimburse T- Highway Cash for expenditures on bridge and road projects in Wagoner County.
- The County transferred \$1,646 from StoneBluff Citizen Center EODD REAP Grant to T-Highway to close out the fund.
- The County transferred \$262,142 from the County Bridge and Road Improvement fund to reimburse Emergency Transportation Revolving Fund (ETR), a trust and agency fund, for expenditures on bridge and road projects in Wagoner County.
- The County transferred \$243,927 from the County Commissioners Use Tax fund to the following funds:
  - Sheriff Service Fee - \$125,000
  - Planning and Zoning - \$42,926
  - Civil Defense Cash Fund - \$52,500
  - Juvenile Drug Court (trust and agency fund) - \$23,501

Additionally, the County transferred \$100,000 from the Special Economic Development fund to the StoneBluff Senior Citizen Authority fund.

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 use for any lawful county expenditure. Instead of expending the money from the funds it was originally apportioned, the Board of County Commissioners made transfers to the funds listed above.

**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, 2011**

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 2,147,440	\$ 2,147,440	\$ -
Less: Prior Year Outstanding Warrants	(176,458)	(176,458)	-
Less: Prior Year Encumbrances	(114,532)	(86,545)	27,987
Beginning Cash Balances, Budgetary Basis	<u>1,856,450</u>	<u>1,884,437</u>	<u>27,987</u>
Receipts:			
Ad Valorem Taxes	3,917,124	4,283,364	366,240
Charges for Services	377,357	288,102	(89,255)
Intergovernmental Revenues	669,608	710,323	40,715
Miscellaneous Revenues	74,882	200,532	125,650
Total Receipts, Budgetary Basis	<u>5,038,971</u>	<u>5,482,321</u>	<u>443,350</u>
Expenditures:			
County Sheriff	1,309,185	1,293,336	15,849
County Treasurer	147,971	147,889	82
County Commissioners	240,000	212,376	27,624
OSU Extension	125,423	86,121	39,302
County Clerk	403,562	397,382	6,180
Court Clerk	184,425	182,825	1,600
County Assessor	223,776	222,458	1,318
Revaluation of Real Property	507,902	502,612	5,290
General Government	1,835,185	649,409	1,185,776
Excise-Equalization Board	7,700	4,877	2,823
County Election Board	190,667	184,249	6,418
Insurance	1,542,137	1,155,595	386,542
County Purchasing Agent	45,100	43,485	1,615
Storm Water Management	50,758	48,567	2,191
County Audit Budget Account	81,630	904	80,726
Total Expenditures, Budgetary Basis	<u>6,895,421</u>	<u>5,132,085</u>	<u>1,763,336</u>

Continued on next page

**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, 2011**

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	General Fund		
	Budget	Actual	Variance
Continued from previous page			
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	2,234,673	\$ 2,234,673
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		330,116	
Add: Current Year Encumbrances		60,819	
Ending Cash Balance		\$ 2,625,608	

**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, 2011**

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	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 926,009	\$ 926,104	\$ 95
Less: Prior Year Outstanding Warrants	(173,204)	(173,204)	-
Less: Prior Year Encumbrances	(10,495)	(7,228)	3,267
Beginning Cash Balances, Budgetary Basis	742,310	745,672	3,362
Receipts:			
Ad Valorem Taxes	980,231	1,071,880	91,649
Charges for services	-	142,996	142,996
Total Receipts, Budgetary Basis	980,231	1,214,876	234,645
Expenditures:			
Health and Welfare	1,722,541	692,634	1,029,907
Total Expenditures, Budgetary Basis	1,722,541	692,634	1,029,907
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	1,267,914	\$ 1,267,914
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		64,745	
Add: Current Year Outstanding Warrants		57,350	
Ending Cash Balance		\$ 1,390,009	

**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, 2011**

	Beginning Cash Balances July 1, 2010	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2011
Remaining Aggregate Funds:						
Treasurer Mortgage Certification	\$ 302,519	\$ 15,660	\$ -	\$ -	\$ 250	\$ 317,929
Community Service Sentencing Program	91,648	45,483	-	-	93,011	44,120
Resale Property	416,113	384,301	-	-	250,505	549,909
Storm Shelter Rebate	2,040	-	-	-	-	2,040
Home Detention	461	1,202	-	-	-	1,663
County Clerk Lien Fee	35,106	34,427	-	-	18,869	50,664
Assessor Visual Inspection	16	-	-	-	-	16
Assessor Revolving	4,089	2,282	-	-	-	6,371
Community Sentencing - DOC	42,010	56,089	-	-	-	98,099
County Clerk Records Preservation	69,584	75,272	-	-	12,830	132,026
REAP Grant	20,217	-	-	-	1,205	19,012
Sheriff Contract Prison	149,141	78,246	-	-	113,132	114,255
Sheriff Commissary Fund	91,309	38,480	-	-	62,582	67,207
Youth Graduated Sanction (STEP) Grant	594	70	-	-	-	664
MD "Catch" Grant	77,010	-	-	-	341	76,669
STEP Program Cash Fund	15,944	-	-	-	53	15,891
Oklahoma Highway Safety Office Grant	8,778	11,761	-	-	15,082	5,457
Law Enforcement/Corp of Engineers	23,800	43,550	-	-	18,200	49,150
Sheriff JAG Grant	21,041	10,969	-	-	5,840	26,170
G-9 Reap Grant Adams Creek	50,000	-	-	-	50,000	-
Rolling Hills Reap Grant - Remodel	-	1,839	-	-	1,510	329
Energy Efficiency Conservation Block Grant	-	202,200	-	-	159,734	42,466
REAP Fairgrounds	-	22,565	-	-	22,565	-
StoneBluff Citizen Center EODD REAP Grant	-	11,916	-	1,646	10,270	-
Community Development Block Grant RWD #9	-	350,000	-	-	350,000	-
Oak Grove FD Warning System	-	28,588	-	-	28,588	-
Planning and Zoning	-	146,578	42,926	-	138,014	51,490
StoneBluff Senior Citizen Authority	-	-	100,000	-	-	100,000
Juvenile Offender Program	-	730	-	-	568	162
911 Emergency Cash	531,439	168,718	-	-	293,744	406,413
Civil Defense Cash Fund	31,468	15,126	52,500	-	75,247	23,847
<b>Combined Total - Remaining Aggregate Funds</b>	<b>\$ 1,984,327</b>	<b>\$ 1,746,052</b>	<b>\$ 195,426</b>	<b>\$ 1,646</b>	<b>\$ 1,722,140</b>	<b>\$ 2,202,019</b>

**WAGONER COUNTY, OKLAHOMA  
NOTES TO OTHER SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**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.

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.

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

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

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

**WAGONER COUNTY, OKLAHOMA  
NOTES TO OTHER SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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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 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.

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.

STEP Program Cash Fund – accounts for state grants to provide funding for STEP program to keep juveniles in school.

Oklahoma Highway Safety Office Grant – accounts for grant monies received from the State of Oklahoma and disbursed as restricted by the grant requirements

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

Sheriff JAG Grant – accounts for revenues from a federal grant. Disbursements are for the purchasing of law enforcement equipment for the Sheriff’s office.

G-9 REAP Grant Adams Creek – accounts for revenues from Eastern Oklahoma Development District state REAP grant. Disbursements are for storm water management improvements in the Adams Creek Area.

**WAGONER COUNTY, OKLAHOMA  
NOTES TO OTHER SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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Rolling Hills REAP Grant - Remodel – accounts for revenues from Eastern Oklahoma Development District state REAP grant. Disbursements are for expenses for remodeling Rolling Hills Fire Department.

Energy Efficiency Conservation Block Grant – accounts for revenues received from a federal grant for the purpose of energy efficiency and conservation projects in Wagoner County.

REAP Fairgrounds – accounts for monies from a state grant for the purpose of construction or maintenance at fairgrounds.

StoneBluff Citizen Center EODD REAP Grant – accounts for monies from a state grant for the purpose of building senior citizen center.

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

Oak Grove FD Warning System – accounts for receipt of monies from the Indian Nation Council of Government for the purpose of installation and operation of sirens and alert warning system.

Planning and Zoning – accounts for fees collected for permits. Disbursements are for salaries and office supplies.

StoneBluff Senior Citizen Authority – accounts for receipt of monies from Special Economic Development Authority for the purpose of overseeing senior citizen center expenditures.

Juvenile Offender Program – accounts for receipt of monies from fees collected. Disbursements are for salaries and office needs for the purpose of intervention of troubled first time offenders.

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 – accounts for revenues from state and federal funds. Disbursements are for civil defense.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**



**WAGONER COUNTY, OKLAHOMA  
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
<b>U.S. DEPARTMENT OF DEFENSE</b>			
Direct Grant:			
Payment to States in Lieu of Real Estate Taxes	12.112		\$ 21,533
Total U.S. Department of Defense			<u>21,533</u>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
Passed Through the Oklahoma Department of Commerce:			
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	13775 CDBG 09	<u>350,000</u>
Total U.S. Department of Housing and Urban Development			<u>350,000</u>
<b>U.S. DEPARTMENT OF INTERIOR</b>			
Direct Grant:			
Payments in Lieu of Taxes	15.226		<u>114,665</u>
Total U.S. Department of Interior			<u>114,665</u>
<b>U.S. DEPARTMENT OF JUSTICE</b>			
Passed Through the Office of Juvenile Affairs:			
ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government	16.804	2009-SB-B9-3345	<u>5,297</u>
Total U.S. Department of Justice			<u>5,297</u>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>			
Passed Through the Oklahoma Highway Safety Office:			
State and Community Highway Safety	20.600	PT-10-03-45-01	<u>23,637</u>
Total U.S. Department of Transportation			<u>23,637</u>
<b>U.S. DEPARTMENT OF ENERGY</b>			
Direct Grant:			
ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	DE-RW0000095	<u>159,734</u>
Total U.S. Department of Energy			<u>159,734</u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>			
Passed Through the Oklahoma Department of Emergency Management:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR-1985	25,768
Emergency Management Performance Grants (EMPG)	97.042		<u>15,696</u>
Total U.S. Department of Homeland Security			<u>41,464</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 716,330</u>

**WAGONER COUNTY, OKLAHOMA  
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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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, 2011, 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, 2011, 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. 2011-1, 2011-2, 2011-3, and 2011-19.

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 deficiency in internal control described in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting, 2011-15.

#### 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 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**

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 programs for the year ended June 30, 2011. 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 are the responsibility of Wagoner County's management. Our responsibility is to express an opinion on Wagoner County's compliance based on our audit.

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

In our opinion, Wagoner County, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2011-18 and 2011-19.

### 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 and other deficiencies that we consider to be significant deficiencies.

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 2011-16 and 2011-17 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs, as items 2011-18 and 2011-20 to be significant deficiencies.

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, 2011**

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**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?..... No

Federal Awards

Internal control over major programs:

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

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

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

Identification of Major Programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community Development Block Grant/ State’s program and Non-Entitlement Grants in Hawaii
81.128	ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)

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, 2011**

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**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 2011-1 – 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

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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.

**Finding 2011-2 – 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 function 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 2011-3 – 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 2011-15 – 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 indebt 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.

**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 2011-19 – Inadequate Internal Controls Over Signature Stamps – Chairman, Board of County Commissioners and County Clerk (Repeat Finding)**

**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.

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**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.

**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 2011- 16 – Lack of Internal Controls Over Federal Compliance Requirements – CDBG and EECBG**

**PASS-THROUGH GRANTOR:** Oklahoma Department of Commerce, Direct Grant

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

**CFDA NO:** 14.228, 81.128

**FEDERAL PROGRAM NAME:** Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii, ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)

**FEDERAL AWARD NUMBER:** 13775 CDBG 09, DE-RW0000095

**FEDERAL AWARD YEAR:** 2009, 2011

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

**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

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Principles; Cash Management; Davis Bacon; Matching Level of Effort/Earmarking; Period of Availability; Procurement and Suspension and Debarment; Reporting; and Special Tests and Provisions.

**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.

**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 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 2011-17 - – Inadequate County-Wide Controls Over Major Programs – CDBG and EECBG**

**PASS-THROUGH GRANTOR:** Oklahoma Department of Commerce, Direct Grant

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

**CFDA NO:** 14.228, 81.128

**FEDERAL PROGRAM NAME:** Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii, ARRA - Energy Efficiency Conservation Block Grant Program (EECBG)

**FEDERAL AWARD NUMBER:** 13775 CDBG 09, DE-RW0000095

**FEDERAL AWARD YEAR:** 2009, 2011

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

**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 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,



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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 2011-18 – Inadequate Internal Controls Over Federal Compliance Requirements – Special Tests and Provisions - EECBG**

**FEDERAL AGENCY:** U.S. Department of Energy

**CFDA NO:** 81.128

**FEDERAL PROGRAM NAME:** ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)

**FEDERAL AWARD NUMBER:** DE-RW0000095

**FEDERAL AWARD YEAR:** 2011

**CONTROL CATEGORY:** Special Tests and Provisions

**QUESTIONED COSTS:** \$0

**Condition:** The grant requires all products purchased are to be made in America. During testwork we were unable to determine if products were America made and the County was unable to provide us with affidavits documenting the items purchased were made in America.

**Cause of Condition:** Procedures have not been designed to ensure federal expenditures are made in accordance with federal compliance requirements.

**Effect of Condition:** This condition resulted in noncompliance with grant requirements.

**Recommendation:** OSAI recommends that Wagoner County gain an understanding of requirements for these programs and implement internal controls procedures 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 Commissioners meeting with all departments and individuals involved with the grant to ensure that everyone understands the details and requirements that are affiliated with the grants.

We will also design a uniform filing 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 C, § \_\_\_. 300 reads as follows:

Subpart C-Auditees

§ \_\_\_. 300 Auditee responsibilities.

The auditee shall:

(b) Maintain internal controls over federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the

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provisions of contracts or grant agreements that could have material effect of its federal programs.

**Finding 2011-20 – Inadequate Internal Controls Over Federal Compliance Requirements - Cash Management - EECBG**

**FEDERAL AGENCY:** U.S. Department of Energy

**CFDA NO:** 81.128

**FEDERAL PROGRAM NAME:** ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)

**FEDERAL AWARD NUMBER:** DE-RW0000095

**FEDERAL AWARD YEAR:** 2011

**CONTROL CATEGORY:** Cash Management

**QUESTIONED COSTS:** \$0

**Condition:** During testwork it was determined that funds were not obligated within eighteen months of the award date as required.

**Cause of Condition:** Procedures have not been designed to ensure federal expenditures are made in accordance with federal compliance requirements.

**Effect of Condition:** This condition could result in non compliance to grant requirements and loss of federal funds to the County

**Recommendation:** OSAI recommends that Wagoner County gain an understanding of requirements for these programs and implement internal controls procedures 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 Commissioners meeting with all departments and individuals involved with the grant to ensure that everyone understands the details and requirements that are affiliated with the grants.

We will also design a uniform filing 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 C, § \_\_\_\_. 300 reads as follows:

Subpart C-Auditees

§ \_\_\_\_. 300 Auditee responsibilities.

The auditee shall:

(b) Maintain internal controls 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 material effect of its federal programs.

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

The Department of Energy's Funding Opportunity Announcement states, "Funding Opportunity Description," page 5: "The period of performance for these grants will be 36 months. In keeping with the agenda of the [American] Recovery [and Reinvestment] Act [(ARRA) of 2009] and supporting the goal of immediate investment in the economy, entities are required to obligate/commit all funds within eighteen (18) months from the effective date of the award. In the event funds are not obligated/ committed within eighteen (18) months, DOE reserves the right to de-obligate the funds and cancel the award."

**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 2011-8 – Inadequate Segregation of Duties – Court Clerk (Repeat Finding)**

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

- 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, or misappropriation of funds not being detected in a timely manner.

**Recommendation:** OSAI recommends management be aware of these conditions and realize that concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective controls lie in management's overseeing of office operations and a periodic review of operations. In the event that segregation of duties is not possible due to limited

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personnel, OSAI recommends implementing compensating controls to mitigate the risks involved with a concentration of duties. Compensating controls 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 2011-10 – Reconciliations – Court Clerk (Repeat Finding)**

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

- The Court Fund balance for June 30, 2011 did not agree to the Treasurer’s balance.
- The Court Clerk Revolving Fund balance for June 30, 2011, 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 that will ensure that both the Court Fund and Court Clerk Revolving Fund balances are reconciled to the County Treasurer general ledger balances.

**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 Fund and 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

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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 reports for the Court Fund and Revolving Fund should reconcile to the County Treasurer's office.

**Finding 2011-13 – 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.

**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 surplusd 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

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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 2011-14 – 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 did 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.

**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.

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- 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 checks. 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 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

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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 2007-24 – 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.

**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.

**WAGONER COUNTY, OKLAHOMA  
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**Finding 2009-16 - Supporting Documentation – FEMA (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:** 1754

**FEDERAL AWARD YEAR:** 2009

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

**QUESTIONED COSTS:** \$191,291.22

**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 1754 at District 3.

**Status:** Not Corrected.

**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:** U.S. Department of Housing and Urban Development; U.S. 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; Matching Level of Effort/Earmarking; Period of Availability; and Procurement and Suspension and Debarment; Reporting; and Special Tests and Provisions

**QUESTIONED COSTS:** \$-0-

**Finding Summary:** 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; Matching Level of Effort/Earmarking; Period of Availability; and Procurement and Suspension and Debarment; Reporting; and Special Tests and Provisions.

**Status:** Not Corrected.

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**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:** U.S. Department of Housing and Urban Development; U.S. 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; Matching Level of Effort/Earmarking; Period of Availability; and Procurement and Suspension and Debarment; Reporting; and Special Tests and Provisions

**QUESTIONED COSTS:** \$-0-

**Finding Summary** County-wide controls regarding Risk Management and Monitoring have not been designed.

**Status:** Not Corrected.



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