



WOODS COUNTY

Financial Report

For the fiscal year ended June 30, 2021

Cindy Byrd, CPA
State Auditor & Inspector

**WOODS COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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February 22, 2024

TO THE CITIZENS OF
WOODS COUNTY, OKLAHOMA

Transmitted herewith is the audit of Woods County, Oklahoma for the fiscal year ended June 30, 2021. 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.

This report is 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.

Sincerely,

A handwritten signature in blue ink that reads "Cindy Byrd".

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

**WOODS COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Board of County Commissioners

District 1 – David Hamil

District 2 – Randy McMurphy

District 3 – John Smiley

County Assessor

Renetta Benson

County Clerk

Shelley Reed

County Sheriff

Rudy Briggs, Jr.

County Treasurer

David Manning

Court Clerk

Staci Davey

District Attorney

Christopher M. Boring

**WOODS COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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FINANCIAL SECTION



Independent Auditor's Report

TO THE OFFICERS OF
WOODS COUNTY, OKLAHOMA

Report on the Financial Statement

We have audited the total—all county funds on the accompanying regulatory basis Statement of Receipts, Disbursements, and Changes in Cash Balances of Woods County, Oklahoma, as of and for the year ended June 30, 2021, and the related notes to the financial statement, which collectively comprise the County's basic financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the regulatory basis of accounting described in Note 1, and for determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1, the financial statement is prepared by Woods County using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Woods County as of June 30, 2021, or changes in financial position for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the total receipts, disbursements, and changes in cash balances for all county funds of Woods County, as of and for the year ended June 30, 2021, in accordance with the basis of accounting described in Note 1.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the total of all county funds on the financial statement. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statement.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statement.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2023, on our consideration of Woods County’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County’s internal control over financial reporting or on compliance. That report is an integral part

of an audit performed in accordance with *Government Auditing Standards* in considering Woods County's internal control over financial reporting and compliance.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

March 22, 2023

REGULATORY BASIS FINANCIAL STATEMENT

WOODS COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Beginning Cash Balances July 1, 2020	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2021
County Funds:				
County General	\$ 11,614,583	\$ 3,614,261	\$ 4,385,045	\$ 10,843,799
County Highway Unrestricted	3,731,959	4,535,020	3,651,068	4,615,911
Health	783,101	272,189	148,388	906,902
911 Phone Fees	286,205	217,552	94,869	408,888
County Bridge and Road Improvement	670,912	308,820	290,299	689,433
Sheriff Service Fee	727,246	90,139	123,130	694,255
Free Fair Board	208,078	-	8,622	199,456
Court Clerk Payroll	13,356	134,728	134,548	13,536
County Clerk Lien Fee	301,265	19,089	21,460	298,894
Jail	528,361	24,953	2,237	551,077
County Clerk Records Management and Preservation	96,134	26,394	14,795	107,733
Resale Property	129,960	77,838	23,456	184,342
Emergency Management	52,878	25,000	265	77,613
Assessor Revolving Fee	50,236	2,861	-	53,097
Treasurer Mortgage Certification	25,518	1,735	700	26,553
Local Emergency Planning Committee	2,482	2,000	98	4,384
Sheriff Community Service Sentencing Program	250	-	-	250
Reward Fund	287	-	-	287
Sheriff Commissary	2,882	566	-	3,448
County Donations	43	11,191	35	11,199
Sheriff Drug Buy	52,960	189	6,039	47,110
American Rescue Plan Act	-	854,404	-	854,404
Total - All County Funds	\$ 19,278,696	\$ 10,218,929	\$ 8,905,054	\$ 20,592,571

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

**WOODS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

1. Summary of Significant Accounting Policies

A. Reporting Entity

Woods County is a subdivision of the State of Oklahoma created by the Oklahoma Constitution and regulated by Oklahoma Statutes.

The accompanying financial statement presents the receipts, disbursements, and changes in cash balances of the total of all funds under the control of the primary government. The general fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund, where its use is restricted for a specified purpose. Other funds established by statute and under the control of the primary government are also presented.

The County Treasurer collects and remits material amounts of intergovernmental revenues and ad valorem tax revenue for other budgetary entities, including school districts, and cities and towns. The cash receipts and disbursements attributable to those other entities do not appear in funds on the County's financial statement; those funds play no part in the County's operations. Any trust or agency funds maintained by the County are not included in this presentation.

B. Fund Accounting

The County uses funds to report on receipts, disbursements, and changes in cash balances. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

Following are descriptions of the county funds included within the financial statement:

County General – accounts for the general operations of the government.

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

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

911 Phone Fees – accounts for monies received from private telephone companies for the operations of emergency 911 services.

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

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

**WOODS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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

Court Clerk Payroll – accounts for funds deposited by the Court Clerk and disbursements are for payroll operations of the Court Clerk’s office.

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

Jail – accounts for the collection of money supplied to the Sheriff’s office for the housing of prisoners for towns, tribes, and other counties. The disbursements are for maintaining and operating the Woods County Jail.

County Clerk Records Management and Preservation – accounts for records management and preservation fees collected for instruments filed with the County Clerk and disbursements as restricted by state statute.

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

Emergency Management – accounts for the receipt and disbursement of funds from federal and state sources for emergency management and other civil defense purposes.

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

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

Local Emergency Planning Committee – accounts for revenues from a state grant to cover the cost of paperwork for hazardous materials that are moved within the County and disbursed for local emergency planning.

Sheriff Community Service Sentencing Program – accounts for the collection of funding through the Oklahoma State Department of Corrections for administrative expenses and supervision of offenders.

Reward Fund – accounts for the collection of fees from fines for littering and disbursed for rewards in accordance with state statute.

Sheriff Commissary – accounts for the collection of the sale of items to inmates and disbursements to purchase commissary goods and operating and maintaining the jail. Excess funds are used for maintenance and operations of the Sheriff’s department.

**WOODS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

County Donations – accounts for donations to the County for specified projects as restricted by resolutions approved by the Board of County Commissioners.

Sheriff Drug Buy – accounts for the collection of the Sheriff’s percentage of drug forfeitures and disbursed for items related to the drug buy program.

American Rescue Plan Act – accounts for monies received from the United States Department of Treasury and disbursed for responding to the COVID-19 public health emergency and its negative economic impact, premium pay to eligible workers, the provision of government services to the extent of the reduction in revenue due to the COVID-19 public health emergency, and investments in water, sewer, and broadband infrastructure as restricted by federal requirements.

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 allows Oklahoma counties to present their financial statement in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) or on a regulatory basis. The County has elected to present their financial statement on a regulatory basis in conformity with Title 19 O.S. § 171, which specifies the format and presentation of such regulatory basis financial statements: county governments (primary only) are required to present their financial statements on a fund basis format with, at a minimum, the general fund and all other county funds, which represent ten percent or greater of total county revenue with all other funds included in the audit presented in the aggregate in a combining statement. However, the County has elected to present all funds included in the audit in the Statement of Receipts, Disbursements, and Changes in Cash Balances—Regulatory Basis.

D. Budget

Under current Oklahoma Statutes, a general fund and a county health department fund are the only funds required to adopt a formal budget. On or before the first Monday in July of each year, each officer or department head submits an estimate of needs to the governing body. The budget is approved for the respective fund by office, or department and object. The County Board of Commissioners may approve changes of appropriations within the fund by office or department and object. To increase or decrease the budget by fund requires approval by the County Excise Board.

**WOODS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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

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

**WOODS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

3. Other Information

A. Pension Plan

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

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

B. Other Post Employment Benefits (OPEB)

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

C. Contingent Liabilities

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

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

D. Sales Tax

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

SUPPLEMENTARY INFORMATION

WOODS COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—
BUDGETARY BASIS—GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	General Fund		
	Budget	Actual	Variance
District Attorney	\$ 1,000	\$ 920	\$ 80
County Sheriff	783,905	577,900	206,005
County Treasurer	156,167	148,880	7,287
County Commissioners	489,600	438,061	51,539
County Clerk	226,300	220,647	5,653
Rural Water	75,283	73,243	2,040
Court Clerk	194,500	190,099	4,401
County Assessor	168,875	154,708	14,167
Revaluation of Real Property	215,476	139,589	75,887
County Audit Budget Account	63,997	42,146	21,851
Commissioner-Sales Tax	1,000,000	-	1,000,000
OSU Extension-Sales Tax	111,500	82,931	28,569
Juvenile Shelter Bureau-Sales Tax	25,000	-	25,000
General Government-Sales Tax	2,895,984	489,189	2,406,795
Excise - Equalization-Sales Tax	10,000	2,965	7,035
Election Board-Sales Tax	139,961	74,719	65,242
Insurance-Benefits-Sales Tax	1,295,000	1,016,582	278,418
Information Technology-Sales Tax	5,340	4,882	458
Charity-Sales Tax	2,500	-	2,500
Building Maintenance-Sales Tax	4,743,189	27,550	4,715,639
E-911-Sales Tax	546,000	457,692	88,308
Safety-Sales Tax	180,000	119,470	60,530
Free Fair Board-Sales Tax	126,500	108,511	17,989
Rural Fire Department-Sales Tax	75,000	73,773	1,227
Total Expenditures, Budgetary Basis	<u>\$ 13,531,077</u>	<u>\$ 4,444,457</u>	<u>\$ 9,086,620</u>

**WOODS COUNTY, OKLAHOMA
 COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—
 BUDGETARY BASIS—HEALTH FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	Health Fund		
	Budget	Actual	Variance
Health and Welfare	\$ 1,053,851	\$ 211,072	\$ 842,779
Total Expenditures, Budgetary Basis	\$ 1,053,851	\$ 211,072	\$ 842,779

**WOODS COUNTY, OKLAHOMA
NOTE TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

1. Budgetary Schedules

The Comparative Schedules of Expenditures—Budget and Actual—Budgetary Basis for the General Fund and the Health Fund present comparisons of the legally adopted budget with actual data. The "actual" data, as presented in the comparison of budget and actual, will differ from the data as presented in the Statement of Receipts, Disbursements, and Changes in Cash Balances because of adopting certain aspects of the budgetary basis of accounting and the adjusting of encumbrances and outstanding warrants to their related budget year.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in these funds. At the end of the year unencumbered appropriations lapse.

INTERNAL CONTROL AND COMPLIANCE SECTION



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

TO THE OFFICERS OF
WOODS COUNTY, OKLAHOMA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the total—all county funds of the accompanying Statement of Receipts, Disbursements, and Changes in Cash Balances of Woods County, Oklahoma, as of and for the year ended June 30, 2021, and the related notes to the financial statement, which collectively comprise Woods County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated March 22, 2023.

Our report included an adverse opinion on the financial statement because the statement is prepared using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County as of and for the year ended June 30, 2021, on the basis of accounting prescribed by Oklahoma state law, described in Note 1.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered Woods County's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of Woods County's internal control. Accordingly, we do not express an opinion on the effectiveness of Woods County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's

financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses: 2021-001, 2021-002, and 2021-003.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies: 2020-005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Woods County's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2021-003.

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

Woods County's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

March 22, 2023

**WOODS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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

Finding 2021-001 – Lack of County–Wide Internal Controls (Repeat Finding - 2012-001, 2013-001, 2014-001, 2015-001, 2016-001, 2017-001, 2018-001, 2019-001, 2020-001)

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

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

Cause of Condition: Policies and procedures have not been designed and implemented to ensure compliance with state statute and to address the risks of the County and the handbook.

Effect of Condition: These conditions resulted in noncompliance with state statute. Without an adequate system of county-wide controls, there is greater risk of a breakdown in control activities which could result in unrecorded transactions, undetected errors, or misappropriation of funds. The handbook does not use the same policies and procedures for each office.

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

Management Response:

Chairman of the Board of County Commissioners: We will start having county officer meetings and discuss county-wide controls and the county handbook.

County Clerk: I will schedule quarterly meetings and encourage all officers to participate in the development county-wide controls and updating the county handbook.

County Treasurer: This has been an ongoing process. During COVID we did not meet. I will attend the future county officers’ meeting to discuss the county handbook and county-wide controls.

**WOODS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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

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

Definition of Internal Controls

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

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

Components, Principles, and Attributes

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

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

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

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

Title 19 O.S. § 339(A)(10) states, “To develop personnel policies for the county with the approval of all county elected officers, as evidenced in the minutes of a meeting of the board of county commissioners or the county budget board.

Finding 2021-002 – Reconciliation of Appropriation Ledger to General Ledger (Repeat Finding 2020-002)

Condition: Based on our documentation of controls, reconciliations are not being performed between the County Clerk’s appropriation ledger and the County Treasurer’s general ledger for all funds on a monthly basis.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure the reconciliation of the County Clerk’s appropriation ledger to the County Treasurer’s general ledger for all funds on a monthly basis.

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Effect of Condition: This condition could result in unrecorded transactions, misstated financial reports, undetected errors, and misappropriation of funds.

Recommendation: OSAI recommends management take steps to ensure reconciliations are performed between all funds presented on the County Clerk’s appropriation ledger and the County Treasurer’s general ledger. Documentation of this reconciliation should be reviewed and approved by someone other than the preparer.

Management Response:

County Clerk: I will work with the County Treasurer to resolve this issue.

County Treasurer: Once we balance our appropriation ledger to the County Clerk, we reconcile those totals to the general ledger.

Criteria: The GAO Standards – Principle 16 – Perform Monitoring Activities – 16.05 states in part:

Internal Control System Monitoring

Management performs ongoing monitoring of the design and operating effectiveness of the internal control system as part of the normal course of operations. Ongoing monitoring includes regular management and supervisory activities, comparisons, reconciliations and other routine actions.

Finding 2021-003 – Lack of Internal Controls and Noncompliance Over Disbursement and Payroll Processes (Repeat Finding – 2012-6, 2013-6, 2014-7, 2015-7, 2016-007, 2017-007, 2018-003, 2019-004, 2020-004)

Condition: Upon inquiry of county personnel and observation of the County’s disbursement and payroll processes, the following weaknesses were noted:

- The purchase order process is not adequately segregated. The county does not have an adequate segregation of duties to ensure that duties assigned to individuals are done so in a manner that would not allow one individual to control both the recording function and the procedures relative to processing a transaction.
- The payroll process is not adequately segregated. The county does not have an adequate segregation of duties to ensure that duties assigned to individuals are done so in a manner that would not allow one individual to control both the recording function and the procedures relative to processing a transaction.
- The purchasing process allows officers to backdate processes in the software and allows changes at any point.
- Upon review of the computer systems in the County, it was noted that there does not appear to be adequate internal controls in place to safeguard data. The specifics of the condition have been sanitized to protect the County Pursuant to the provision of 51 O.S. § 24A.28.
- A signed requisition is not required by the purchasing agent prior to the encumbrance of funds.

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- Departments do not verify encumbrance before placing orders for goods or services.
- The receiving agent does not always review the products or services purchased before signing the receiving report.
- Documentation for the payroll calculations are not certified by the preparer or secondary review.
- Timesheets for salaried employees are submitted to the County Clerk's office only once a year.
- Timesheets for hourly employees are generated and approved by the employee and supervisor prior to the end of the pay period.
- Salaried employees are paid from claims that are routinely generated in the County Clerk's office and are not supported with documentation.
- Leave balances for employees are maintained in each department and records are not submitted to the County Clerk's office.
- A County Clerk's office employee resigned and went to work for the software vendor that the County Clerk's office uses. This former employee's rights and privileges were not restricted with the new position, so this employee had access to their own work in the County Clerk's office through the software vendor.

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

- A sample of thirty-nine (39) disbursements were selected from county funds and determined:
 - Five (5) expenditures totaling \$31,208 were not timely encumbered.
 - Six (6) expenditures totaling \$136,566 did not have adequate documentation attached to the purchase order.
 - One (1) expenditure in the amount of \$5,545 was not paid out of the proper account.
 - Two (2) payroll expenditures had amounts edited after approved by the BOCC and department head. These changes were not reviewed and approved by the BOCC or departments.
 - Two (2) expenditures totaling \$13,826 had encumbrance dates backdated from when the purchase order was signed.
 - Four (4) warrants totaling \$60,702 where 6 month bid materials were purchased from a vendor who was not awarded the bid.
 - Six (6) salary expenditures reflected that timesheets are not reviewed prior to preparing payroll expenditures.
 - Five (5) timesheets reflected that hourly employees approve and sign timesheets prior to working total monthly hours.
 - Two (2) timesheets reflected that employees that typically work a 10-hour shift receive 10 hours of holiday pay on holidays.

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

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

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

Further, OSAI recommends that all payroll documentation be generated by the requesting department and that supporting documentation is attached. Timesheets and leave balances should be reported to the County Clerk on a monthly basis and only signed after the work period is complete.

Management Response:

County Commissioner District 1: We were urgently looking for the material we needed and failed to encumber the purchase order when the material we needed was finally located. I will be more intentional about encumbering purchase orders prior to ordering goods. I will approve timesheets after all hours are worked.

Chairman of the Board of County Commissioners: I will address the internal controls over the purchasing and payroll in a county officers' meeting. I will stop allowing 10 hours for holidays. I will inform all employees that only hours worked in excess of 40 are considered overtime. I will attach documentation in the future documenting comp time to be paid out.

County Commissioner District 3: I chose to use a vendor that was not on the bid list because he was closer to the area where the work was being performed. In the future, I will ensure that the vendor selected for material is on the bid list. I will only allow 8 hours for holiday in the future. I will look at the leave balances of my employees and have my secretary go through the balances every month. I will give the County Clerk the beginning annual and sick leave balances of my employees. I will submit timesheets along with the leave balances to the County Clerk monthly.

County Clerk: I will work on procedures to adequately segregate the duties over purchasing and payroll. I will contact the software vendor to discuss the ability to backdate and password issues. I will inform all officers that encumbrance of funds is required prior to receiving goods or services. I will inform receiving agents they must verify goods and prepare and approve the receiving reports. I will have the preparer and the reviewer of the payroll calculations sign and date the worksheet. I will meet with the county officers and discuss how the best way to rectify the payroll issues. I am now aware to the risk associated with the related party relationship; however, this will not be an issue in the future. I will address the individual purchase orders in a county officers' meeting, so we can determine how to best correct related findings. We will also discuss policies on payroll, timesheets and leave balances.

County Treasurer: I didn't encumber a purchase order because I was not aware there would be a separate charge for the service. I thought the service was part of the amount contracted.

County Sheriff: We will encumber funds prior to ordering goods or services and make sure adequate documentation is attached to the purchase orders.

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

Objectives of an Entity – Compliance Objectives

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

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

Definitions of Objectives

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

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

Finding 2021-005 – Noncompliance and Circumvention of Internal Controls Over Purchasing (Repeat Finding – 2020-006)

Condition: The County purchases road material referred to as “County Special.” There is a verbal agreement between the District 2 County Commissioner and the vendor. During fiscal year 2020, the price per ton agreed upon was \$2.00.

The vendor does not load the County’s trucks or keep track of the quantities removed by the County. The County keeps a loader on the premises of the vendor to load the County’s trucks. The County truck drivers submit a written form to the District 2 office, specifying the date, loads hauled, and the cubic yards of material hauled. An employee in the District 2 office keeps track of all the loads hauled and converts the cubic yards into tons. Periodically, District 2 sends documentation to the vendor of the tonnage removed from the quarry. The vendor and District 2 decide the number of payments and the dates to bill for the material obtained. District 2 will then requisition the purchase order. The vendor will place all tons to be paid on one weight ticket. District 2 will receive a ticket log reflecting one ticket for all the loads removed, and an invoice from the vendor, then a receiving report is prepared, and the vendor is paid.

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County records indicate District 2 picked up 7,364 tons in fiscal year 2018 and 11,865 tons in fiscal year 2019 for a total of 19,229 tons. The vendor agreed to have the County pay for 6,409.66 tons in three equal payments in fiscal year 2020.

In addition, through conversation with county personnel and the review of the purchase orders and processes disclosed, the following exceptions were noted:

- There is no contract on file for working on private property with County equipment which leaves the County open to possible liabilities.
- The County paid for road material received in the prior year with current year appropriations.
- The goods were received, and liabilities were incurred before the funds were legally authorized to be spent.
- Invoices do not include all the dates the road material was received as required by state statute.
- Receiving reports are not completed as items are received. Some receiving reports were issued four (4) months after the material was received.
- Receiving reports did not reflect the total tons of road material received.
- The delivery documents/weight tickets are not accurate, compiling multiply loads and dates into one delivery document.
- Quantities received were lowered in order to charge \$3.00/ton instead of \$2.00/ton resulting in 983.33 less tons recorded than received.

Cause of Condition: Management chose to override the internal controls over purchasing.

Effect of Condition: These conditions resulted in noncompliance with state statute, inaccurate records, and incomplete information and could result in misappropriation of assets.

Recommendation: OSAI recommends the County adhere to the purchasing procedures as outlined in 19 O.S. § 1505, which includes:

- Encumbering funds prior to ordering goods.
- Attaching accurate supporting documentation.
- Completing receiving reports by verifying amounts received when received.
- Expending funds in the proper period.

Additionally, we recommend the County obtain written agreements prior to working on private property.

Management Response:

County Commissioner District 2: I will obtain a contract with the vendor. I will ensure that expenditures do not cross fiscal years. I will encumber purchase orders before picking up material. I will request more detail on the invoices. I will have my receiving agent prepare a receiving report for each day “County Special” is picked up.

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

Objectives of an Entity – Compliance Objectives

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

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

Definitions of Objectives

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

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

O·K·L·A·H·O·M·A
S·A·I
STATE AUDITOR & INSPECTOR



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