



# ADAIR COUNTY

## Financial Report

For the fiscal year ended June 30, 2023

**Cindy Byrd, CPA**  
State Auditor & Inspector

**ADAIR COUNTY, OKLAHOMA  
FINANCIAL STATEMENT  
AND INDEPENDENT AUDITOR'S REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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**OKLAHOMA**  
Office of the State Auditor & Inspector

**Cindy Byrd, CPA | State Auditor & Inspector**

2300 N. Lincoln Blvd., Room 123, Oklahoma City, OK 73105 | 405.521.3495 | [www.sai.ok.gov](http://www.sai.ok.gov)

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October 25, 2024

TO THE CITIZENS OF  
ADAIR COUNTY, OKLAHOMA

Transmitted herewith is the audit of Adair County, Oklahoma for the fiscal year ended June 30, 2023. 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

**ADAIR COUNTY OFFICIALS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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**Board of County Commissioners**

District 1 – Mike Wininger

District 2 – Sam Chandler

District 3 – Larry Wood

**County Assessor**

Teresa “Tracy” Sims

**County Clerk**

Cathy Jones-Harrison

**County Sheriff**

Jason Ritchie

**County Treasurer**

Ann Bishop

**Court Clerk**

Nichole Cooper

**District Attorney**

Jack Thorp

**TABLE OF CONTENTS**

FINANCIAL SECTION

Report of State Auditor and Inspector ..... 1

    Financial Statement:

        Statement of Receipts, Disbursements, and Changes in Cash Balances—Regulatory Basis ..... 4

        Notes to the Financial Statement..... 5

SUPPLEMENTARY INFORMATION

    Comparative Schedule of Expenditures—Budget and Actual—Budgetary Basis—General Fund..... 12

    Comparative Schedule of Expenditures—Budget and Actual—Budgetary Basis—Health Fund..... 13

    Note to Supplementary Information..... 14

INTERNAL CONTROL AND COMPLIANCE SECTION

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*..... 15

Report on Compliance for the U.S. Department of Treasury Coronavirus State and Local  
Fiscal Recovery Funds Program (CSLFRF) Requirements for an Alternative CSLFRF  
Compliance Examination Engagement..... 17

Schedule of Findings and Responses ..... 19

**FINANCIAL SECTION**



## **Independent Auditor's Report**

TO THE OFFICERS OF  
ADAIR COUNTY, OKLAHOMA

### **Report on the Audit of the Financial Statement**

#### ***Opinion***

We have audited the total—all county funds on the accompanying regulatory basis Statement of Receipts, Disbursements, and Changes in Cash Balances of Adair County, Oklahoma, as of and for the year ended June 30, 2023, and the related notes to the financial statement.

#### ***Unmodified Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statement referred to above presents fairly, in all material respects, the regulatory basis total receipts, disbursements, and changes in cash balances for all county funds of Adair County, as of and for the year ended June 30, 2023, in accordance with the financial reporting provisions of Title 19 O.S. § 171 of Oklahoma Statutes described in Note 1.

#### ***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 (U.S. GAAP) section of our report, the financial statement referred to above does not present fairly, in accordance with U.S. GAAP, the financial position of Adair County as of June 30, 2023, or changes in financial position for the year then ended.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of Adair County, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our audit opinions.

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

As described in Note 1, the financial statement is prepared by Adair County using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than U.S. GAAP to meet the requirements of the State of Oklahoma. The effects on the financial statement of the variances

between the regulatory basis of accounting described in Note 1 and U.S. GAAP, although not reasonably determinable, are presumed to be material and pervasive.

### ***Responsibilities of Management 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 prescribed or permitted by Oklahoma state law, 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.

In preparing the financial statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Adair County's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statement***

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statement.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- obtain an understanding of internal control relevant to the audit 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 Adair County's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Adair County's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



***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. Such 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. The 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 GAAS. 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 October 21, 2024, on our consideration of Adair 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 Adair County's internal control over financial reporting and compliance.



CINDY BYRD, CPA  
OKLAHOMA STATE AUDITOR & INSPECTOR

October 21, 2024

**REGULATORY BASIS FINANCIAL STATEMENT**

**ADAIR COUNTY, OKLAHOMA**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND**  
**CHANGES IN CASH BALANCES—REGULATORY BASIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

	Beginning Cash Balances July 1, 2022	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2023
County Funds:						
County General	\$ 340,603	\$ 1,660,200	\$ 282,881	\$ 275,000	\$ 1,705,589	\$ 303,095
County Highway Unrestricted	1,716,456	3,547,217	200,000	-	3,906,728	1,556,945
Health	444,225	284,506	-	-	268,309	460,422
Resale Property	243,480	126,059	125,000	125,000	134,343	235,196
County Clerk Records Management and Preservation Fund	72,941	39,458	-	-	26,902	85,497
Sheriff Drug Buy	1,236	-	-	-	-	1,236
County Clerk Lien Fee	18,951	8,292	-	-	10,635	16,608
Sheriff Community Sentencing Program	70,760	12,292	-	-	1,439	81,613
Sheriff Service Fee	503,520	890,244	-	-	1,015,260	378,504
Treasurer Mortgage Certification	26,056	2,570	-	-	466	28,160
Assessor Revolving Fee	14,310	2,525	-	-	3,103	13,732
Rural Fire-ST	840,620	358,150	-	-	421,465	777,305
Jail	179,743	825,208	-	-	873,801	131,150
Sheriff Commissary	46,797	67,443	-	-	30,719	83,521
Jail-ST	115,233	1,433,608	-	-	1,413,780	135,061
County Bridge and Road Improvement	697,117	105,480	-	-	545,362	257,235
911 Phone Fees	300,694	222,614	-	-	180,963	342,345
Flood Plain	1,068	75	-	-	-	1,143
S.T.O.P. VAWA (Services-Training-Officers-Prosecutors)	-	-	-	-	-	-
Violence Against Women	85	-	-	-	-	85
County Donations	218,715	1,350,920	-	-	1,258,497	311,138
Courthouse Maintenance-ST	74,444	716,804	-	-	706,890	84,358
Use Tax-ST	380,345	693,459	150,000	150,000	321,648	752,156
Sheriff Forfeiture	937	1,253	-	-	-	2,190
Trash Cop	5,323	24	-	-	-	5,347
Local Emergency Planning Committee	885	-	-	-	-	885
Court Clerk Payroll	22,993	126,600	-	-	136,217	13,376
American Rescue Plan Act 2021	1,282,628	2,183,521	-	-	1,707,381	1,758,768
LATCF	-	50,000	-	-	-	50,000
<b>Total - All County Funds</b>	<b>\$ 7,620,165</b>	<b>\$ 14,708,522</b>	<b>\$ 757,881</b>	<b>\$ 550,000</b>	<b>\$ 14,669,497</b>	<b>\$ 7,867,071</b>

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

**ADAIR COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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**1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

Adair 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 libraries, 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 revenue derived mostly from ad valorem tax as directed by the Oklahoma Constitution and state statutes. Other revenue includes fees, in-lieu taxes, and other miscellaneous collections. Disbursements are for general operations of the County.

County Highway Unrestricted – accounts for revenue from motor fuel and motor vehicle taxes and is designated for those activities associated with building and maintaining county roads and bridges.

Health – accounts for ad valorem tax collections and fees for services collected, disbursements are for the operation of the County Health Department.

Resale Property – accounts for interest and penalties assessed on delinquent ad valorem tax payments as well as proceeds of selling real property in the County which has remained delinquent in ad valorem tax payments for three years. The fund is utilized by the County Treasurer for offsetting the costs associated with the collection of delinquent ad valorem taxes.

**ADAIR COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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County Clerk Records Management and Preservation Fund – accounts for fees collected for instruments filed in the County Clerk’s office. Expenditures are restricted to activities related to preservation of records in the County Clerk’s office.

Sheriff Drug Buy – accounts for a program for investigating illegal drug activities. Revenue source consists of proceeds from the sale of property seized during such investigations as ordered by the district court. This fund must be authorized by the District Attorney.

County Clerk Lien Fee – accounts for revenue generated from filing and copy fees. Proceeds to be expended as restricted by state statute.

Sheriff Community Sentencing Program – accounts for a program for providing an alternative to incarceration for nonviolent felony offenders. Revenue provided by contracts with the Department of Corrections. Proceeds are restricted to lawful operation of the program.

Sheriff Service Fee – accounts for the collection of fees and reimbursements for revenues such as process fees, courthouse security, contracts for housing and feeding prisoners, and disbursements as restricted by state statute.

Treasurer Mortgage Certification – accounts for fees collected by the County Treasurer for evaluating mortgages or other liens upon real property filed with the county for the purpose of collateralizing debt. The fund is used for lawful operation of the County Treasurer’s office.

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

Rural Fire-ST – accounts for tax assessed upon retail sales within the County as authorized by vote of the citizens of the County. Sales tax funds are restricted for the purpose described on the ballot approved by voters.

Jail – accounts for contract payments received from the Jail Trust Authority for operating the jail.

Sheriff Commissary – accounts for profits on commissary sales in the County jail. Disbursements are for jail operations as defined by state statute.

Jail-ST – accounts for tax assessed upon retail sales within the County as authorized by vote of the citizens of the County. Sales tax funds are restricted for the purpose described on the ballot approved by voters.

County Bridge and Road Improvement – accounts for collections from fuel and gas taxes collected by Oklahoma Tax Commission and disbursements are for the purpose of constructing and maintaining county bridges and roads.

**ADAIR COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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911 Phone Fees – accounts for fees collected by phone service providers in accordance with state statute to support 911 emergency operations.

Flood Plain – accounts for fees collected from flood plain permits and map charges to offset the costs of floodplain management.

S.T.O.P. VAWA (Services-Training-Officers-Prosecutors) Violence Against Women – accounts for federal grant monies received to be disbursed as restricted by the grant agreement.

County Donations – accounts for donations to the county from private donors to be disbursed for a specified purpose and approved Board of County Commissioners’ resolution.

Courthouse Maintenance-ST – accounts for tax assessed upon retail sales within the County as authorized by vote of the citizens of the County. Sales tax funds are restricted for the purpose described on the ballot approved by voters.

Use Tax-ST – accounts for the collection of county sales tax, use tax revenue and excise tax levied on the storage, use or other consumption of tangible personal property used, stored, or consumed within the County. The purpose of the use tax is designated by the Board of County Commissioners.

Sheriff Forfeiture – accounts for proceeds from the sale of property seized by law enforcement as ordered by the court. The fund is used for law enforcement purposes and/or drug prevention and eradication.

Trash Cop – accounts for grants and/or fines assessed upon convicted individuals for illegal dumping and collected by the Court Clerk. Funds are to be used for investigation and mitigation of illegal dumping.

Local Emergency Planning Committee – accounts for legislative appropriations to assist local emergency planning committees in the development of an emergency plan in accordance with the requirements of Title III of the Federal Superfund Amendments and Reauthorization Act.

Court Clerk Payroll – accounts for funds from the Court Fund for compensation of the District Court employees.

American Rescue Plan Act 2021 – 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.

**ADAIR COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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LATCF – accounts for federal funding made available through the American Rescue Plan Act of 2021 to be used in the same manner as other locally generated revenue.

**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 (U.S. GAAP), 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 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.

**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).

**ADAIR COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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

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

**2. Ad Valorem Tax**

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

Taxes are due on November 1 following the levy date, although they may be paid in two equal installments. If the first half is paid prior to January 1, the second half is not delinquent until April 1. The County Treasurer, according to the law, shall give notice of delinquent taxes and special assessments by publication once a week for two consecutive weeks at any time after April 1, but prior to the end of September following the year the taxes were first due and payable. Unpaid real property taxes become a lien upon said property after the treasurer has perfected the lien by public notice.

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

**3. Other Information**

**A. Pension Plan**

Plan Description. The County contributes to the Oklahoma Public Employees Retirement Plan (the Plan), a cost-sharing, multiple-employer defined benefit pension plan administered by the Oklahoma Public Employees Retirement System (OPERS). Benefit provisions are established and 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.



**ADAIR COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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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**

**Sales Tax of September 17, 1996**

The voters of Adair County approved a permanent sales tax of one-half of one percent (0.5%). The sole purpose of this sales tax is for the construction, maintenance, and operation of the Adair County Jail Trust Authority and facility. These funds are accounted for in the Jail-ST fund.

**Sales Tax of March 6, 2001**

The voters of Adair County approved a permanent sales tax of one-quarter of one percent (0.25%). The purpose of this tax is to provide revenues to be apportioned by the Board of County Commissioners for the purpose of providing funding for the fire departments in the following communities: Bell, Chance, Christie-Proctor, Greasy, Highway 51 West, Highway 100 West, Mid-County, Stilwell, Tri-Community, Watts and Westville, or others hereinafter established, for such fire protection as may be deemed necessary by the Board of County Commissioners. These funds are accounted for in the Rural Fire-ST fund.

**ADAIR COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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**Sales Tax of April 1, 2014**

The voters of Adair County approved a permanent sales tax of five-tenths of one cent (0.50%). The sole and exclusive purpose of this tax is for the remodeling, new construction, maintenance and operations of the Adair County Courthouse. Duration will be until all costs, expenses and indebtedness are paid in full and at which time the sales tax will drop to two tenths of one cent (.20%) which shall be for the courthouse maintenance and operation and will be an unlimited duration. These funds are accounted for in the Courthouse Maintenance-ST fund.

The voters of Adair County approved a permanent sales tax of five-tenths of one cent (0.50%). The purpose of this tax is for the use and benefit of the Adair County Jail Trust Authority Facility for the maintenance and operation of the Adair County Jail with an unlimited duration. These funds are accounted for in the Jail-ST fund.

**E. Interfund Transfers**

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

- \$200,000 was transferred to the County Highway Unrestricted fund from the Emergency Transportation Revolving fund (a Trust & Agency Fund) for a road project.
- \$125,000 was transferred to the Resale Property fund to the County General fund for an interfund loan in accordance with 68 O.S. § 3021.
- \$125,000 was transferred from the County General fund to the Resale Property fund for the repayment of a loan in accordance with 68 O.S. § 3021.
- \$150,000 was transferred from the Use Tax-ST fund to the County General fund for an interfund loan in accordance with 68 O.S. § 3021.
- \$150,000 was transferred from the County General fund to the Use Tax-ST fund for the repayment of a loan in accordance with 68 O.S. § 3021.
- \$7,881 was transferred to the County General fund from the Protested Tax fund (a Trust & Agency Fund) per Board of County Commissioners' resolution.

**SUPPLEMENTARY INFORMATION**

**ADAIR COUNTY, OKLAHOMA**  
**COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—**  
**BUDGETARY BASIS—GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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	General Fund		
	Budget	Actual	Variance
County Sheriff	\$ 354,000	\$ 348,540	\$ 5,460
County Treasurer	61,400	61,390	10
County Commissioners	240,194	168,481	71,713
County Commissioners O.S.U. Extension	40,000	39,872	128
County Clerk	138,500	136,135	2,365
Court Clerk	80,908	80,307	601
County Assessor	51,200	51,200	-
Revaluation of Real Property	325,723	325,367	356
Juvenile Shelter Bureau: Detention	5,000	1,800	3,200
General Government	87,000	74,999	12,001
Excise - Equalization Board	5,000	4,514	486
County Election Expense	65,163	65,072	91
Insurance - Benefits	357,992	325,641	32,351
County Purchasing Agent	33,180	30,090	3,090
Emergency Management	3,100	2,800	300
County Audit Budget Account	11,538	-	11,538
Free Fair Budget Account	10,000	10,000	-
Total Expenditures, Budgetary Basis	\$ 1,869,898	\$ 1,726,208	\$ 143,690

**ADAIR COUNTY, OKLAHOMA**  
**COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—**  
**BUDGETARY BASIS—HEALTH FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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	Health Fund		
	Budget	Actual	Variance
Health and Welfare	\$ 638,955	\$ 506,529	\$ 132,426
Total Expenditures, Budgetary Basis	\$ 638,955	\$ 506,529	\$ 132,426

**ADAIR COUNTY, OKLAHOMA  
NOTE TO SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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**1. Budgetary Schedules**

The Comparative Schedules of Expenditures—Budget and Actual—Budgetary Basis for the General Fund and the Health Fund presents 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**



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**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  
ADAIR COUNTY, OKLAHOMA

We have audited, in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 Adair County, Oklahoma, as of and for the year ended June 30, 2023, and the related notes to the financial statement, which collectively comprise Adair County’s financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated October 21, 2024.

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 (U.S. GAAP). 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, 2023, on the basis of accounting prescribed by Oklahoma state law, described in Note 1.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statement, we considered Adair 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 Adair County’s internal control. Accordingly, we do not express an opinion on the effectiveness of Adair County’s internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be material weaknesses: 2023-001, 2023-002, 2023-003, and 2023-004.



## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Adair 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2023-003.

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

## **Adair County's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on Adair County's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. Adair County's response was not subjected to the other 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

October 21, 2024



**Report on Compliance for the U.S. Department of Treasury Coronavirus State and Local Fiscal Recovery Funds Program (CSLFRF) Requirements for an Alternative CSLFRF Compliance Examination Engagement**

**Independent Accountant's Report**

TO THE OFFICERS OF  
ADAIR COUNTY, OKLAHOMA

We have examined Adair County's compliance with the compliance requirements "activities allowed or unallowed" and "allowable cost/cost principles" (the specified requirements) as described in Part IV "Requirements for an Alternative Compliance Examination Engagement for Recipients That Would Otherwise be Required to Undergo a Single Audit or Program-Specific Audit as a Result of Receiving Coronavirus State and Local Fiscal Recovery Funds" of the CSLFRF section of the 2023 OMB *Compliance Supplement* (referred to herein as "Requirements for an Alternative CSLFRF Compliance Examination Engagement") during the year ended June 30, 2023. The County is responsible for compliance with the specified requirements. Our responsibility is to express an opinion on Adair County's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the AICPA; the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and in the "Requirements for an Alternative CSLFRF Compliance Examination Engagement." Those standards and requirements require that we plan and perform the examination to obtain reasonable assurance about whether Adair County complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether Adair County complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

Our examination does not provide a legal determination on Adair County's compliance with specified requirements.

In our opinion, Adair County complied, in all material respects, with the specified requirements referenced above during the year ended June 30, 2023.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses in internal control; fraud, and noncompliance with provisions of laws, regulations, contracts or grant agreements that have a material effect on Adair County's compliance with the specified requirements and any other instances that warrant

the attention of those charged with governance. We are also required to obtain and report the views of responsible officials concerning the findings, conclusions, and recommendations, as well as any planned corrective actions. We performed our examination to express an opinion on Adair County's compliance with the specified requirements and not for the purpose of expressing an opinion on the internal control over the specified requirements or on compliance and other matters; accordingly, we express no such opinions. Our examination disclosed certain findings that are required to be reported under *Government Auditing Standards* and those findings, along with the views of responsible officials, are described in described in the accompanying schedule of findings and responses as item 2023-010.

**Intended Purpose**

The purpose of this examination report is solely to express an opinion on whether Adair County complied, in all material respects with the specified requirements referenced above during the year ended June 30, 2023. Accordingly, this report is not suitable for any other purpose.



CINDY BYRD, CPA  
OKLAHOMA STATE AUDITOR & INSPECTOR

October 21, 2024

**ADAIR COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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**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 2023-001 – Lack of County – Wide Internal Controls (Repeat Finding 2008-003, 2009-003, 2010-003, 2011-001, 2012-001, 2018-001, 2019-001, 2020-001, 2021-001, 2022-001)**

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

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure that an adequate system of county-wide controls exist.

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

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

**Management Response:**

**Chairman of the Board of County Commissioners:** In response to your recommendations, the county will design and implement a comprehensive system of county-wide procedures aimed at identifying and addressing risks related to financial reporting. These procedures will ensure that critical information is communicated effectively across all departments. Furthermore, we will establish robust monitoring procedures to assess the quality of performance over time. These procedures will be documented as written policies and procedures and will be incorporated into the county policies and procedures handbook, in compliance with the guidelines provided by OSAI.

**County Clerk:** County Clerk will work with the Treasurer and Board of County Commissioners and try to implement a quarterly meeting will all elected officials regarding Risk Assessment and Monitoring.

**County Treasurer:** I will try and get with the Board of County Commissioners and County Clerk to implement a quarterly meeting with all elected officials.

**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

**ADAIR COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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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.

**Finding 2023-002 – Lack of Internal Controls Over Cash Receipts (Repeat Finding 2022-002)**

**Condition:** Upon inquiry of the County Treasurer’s staff, observation of records, County’s collection, apportionment, and cash balances processes, the following weaknesses were noted:

- 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 the processing of a transaction. One person issues receipts, voided receipts, performs balancing duties, posts payments in the system, takes the daily deposit to the bank, and makes journal entries.
- All deputies work from the same drawer.
- A mail log is not maintained.
- The audit log is not reviewed.
- Receipts can be voided in the system without approval.

**ADAIR COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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**Cause of Condition:** Policies and procedures have not been designed and implemented over cash balances to separate key functions and processes among various employees in the office, to have levels of review over the processes performed, and to ensure accurate and proper accounting of funds.

**Effect of Condition:** These conditions 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 determine if duties can be properly segregated. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risk 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 approve accounting functions. Additionally, OSAI recommends the following:

- All deputies should not work from the same drawer.
- A mail log is to be maintained.
- The audit log should be reviewed and approved.
- Receipts should require approval when voided in the system.

**Management Response:**

**County Treasurer:** I will take into consideration and try to implement more than one cash drawer in my office. I have someone verify the cash drawer each morning and I have started having someone verify drawer amount after balancing with a signed off receipt from both counting drawer. I do not have a mail log and do not plan on implement one. The audit log is being reviewed monthly. Receipts can be voided in my office by one person. The reason is I only have two full-time employees besides myself. If someone has to be gone and other gone to lunch, I will not ask a customer to come back later due to me not being able to void/correct a payment without an approval from another. I print and review the corrections report, voids and cancelled, and address the corrections reports monthly and they are signed off by me and another deputy.

**Criteria:** The GAO Standards – Principle 10 – Design Control Activities – 10.03 states in part:

*Establishment and review of performance measures and indicators*

Management establishes activities to monitor performance measures and indicators. These may include comparisons and assessments relating different sets of data to one another so that analyses of the relationships can be made and appropriate actions taken. Management designs controls aimed at validating the propriety and integrity of both entity and individual performance measures and indicators.

*Segregation of Duties*

Management divides or segregates key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. This includes separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets so that no one individual controls all key aspects of a transaction or event.

**ADAIR COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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*Accurate and timely recording of transactions*

Transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from its initiation and authorization through its final classification in summary records. In addition, management designs control activities so that all transactions are completely and accurately recorded.

*Access restrictions to and accountability for resources and records*

Management limits access to resources and records to authorized individuals and assigns and maintains accountability for their custody and use. Management may periodically compare resources with the recorded accountability to help reduce the risk of errors, fraud, misuse, or unauthorized alteration.

*Appropriate documentation of transactions and internal control*

Management clearly documents internal control and all transactions and other significant events in a manner that allows the documentation to be readily available for examination. The documentation may appear in management directives, administrative policies, or operating manuals, in either paper or electronic form. Documentation and records are properly managed and maintained.

Additionally, Principle 10 - Segregation of Duties states:

10.12 – Management considers segregation of duties in designing control activity responsibilities so that incompatible duties are segregated and, where such segregation is not practical, designs alternative control activities to address the risk.

10.13 – Segregation of duties helps prevent fraud, waste, and abuse in the internal control system. Management considers the need to separate control activities related to authority, custody, and accounting of operations to achieve adequate segregation of duties. In particular, segregation of duties can address the risk of management override. Management override circumvents existing control activities and increases fraud risk. Management addresses this risk through segregation of duties, but cannot absolutely prevent it because of the risk of collusion, where two or more employees act together to commit fraud.

10.14 – If segregation of duties is not practical within an operational process because of limited personnel or other factors, management designs alternative control activities to address the risk of fraud, waste, or abuse in the operational process.

**ADAIR COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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**Finding 2023-003 – Lack of Internal Controls and Noncompliance Over Disbursements (Repeat Finding 2008-005, 2009-005, 2010-005, 2011-004, 2012-004, 2018-005, 2019-005, 2020-004, 2021-004, 2022-003)**

**Condition:** Upon inquiry of County personnel and observation of the County’s disbursement process, we noted the following:

- Receiving officers are requesting funds instead of requisitioning officers.
- 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 the processing of a transaction. One person encumbers the funds, issues purchase orders, assigns warrant on purchase orders, verifies purchase orders upon receiving all supporting documentation, makes adjustments to purchase orders, prepares warrants, prints warrants, takes warrants to be registered, receives registered warrants from Treasurer, and receives approved purchase orders from Board of County Commissioners (BOCC).
- All deputies have permissions to print warrants.
- Voided warrant report does not get reviewed.
- The BOCC is not awarding bids based on district, availability, and price.

During our test of sixty-one (61) disbursements, we noted the following exceptions:

- Four (4) disbursements totaling \$135,528 did not indicate the disbursement was reviewed/authorized.
- Six (6) disbursements totaling \$221,990 did not have encumbrances made prior to ordering goods or services.

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

**Effect of Condition:** These conditions resulted in noncompliance with state statute, which could result in unrecorded transactions, undetected errors, and inaccurate records, and could have resulted in the misappropriation of funds.

**Recommendation:** OSAI recommends management be aware of this condition and determine if duties can be properly segregated. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risk 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 approve accounting functions.

Further, management should adhere to state purchasing guidelines. Purchase orders should be encumbered before goods or services are ordered. Purchase orders should contain proper approvals, have invoices attached and additional supporting documentation attached. Additionally, OSAI recommends the following:



**ADAIR COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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- Voided warrant report should be reviewed and approved.
- The BOCC should award bids based on district, availability and price.

**Management Response:**

**Chairman of the Board of County Commissioners:** We acknowledge the findings regarding the lack of internal controls, segregation of duties, and noncompliance over disbursements. To address these issues, we will implement the following measures:

- Improving segregation of duties, we will ensure that responsibilities related to disbursements are appropriately divided among staff to enhance checks and balances.
- Adhering to state purchasing guidelines, purchase orders will be properly encumbered before any goods or services are ordered. All purchase orders will have the necessary approvals, invoices, and additional supporting documentation attached.

**County Clerk:** We have already implemented that only Requisitioning Officers are to encumber Purchase Orders. Due to limited personnel, the Purchasing Agent is responsible for encumbering funds, issuing purchase orders, assigning warrants on purchase orders, verifying documentation, etc. Implemented procedures are now in place so that another employee reviews purchase orders. Also, the County Clerk or another employee and Purchasing Agent are initialing beside the pre-printed name of the County Clerk and the Purchasing Agent on the purchase order approving the issuance/encumbrance of purchase and the certification of the purchase order. Also, either the County Clerk or a deputy verifies the Verification Report to the Expense Report and also verifies purchase orders to the Expense Report. At this time, the County Clerk takes Purchase Orders to the Commissioners and also picks up the approved purchase orders and check from Commissioners. We try to do our due diligence to be sure that we are following State Statutes. Only the Payroll Clerk and Purchasing Agent print warrants. Since we have limited personnel, we cross-train employees, therefore, all employees can print warrants when needed, such as purchasing agent or payroll clerk being out on vacation. I have already instructed the Purchasing Agent to print a monthly Voided Warrant Report to bring to the County Clerk to Review. We have told Commissioners that they are not supposed to just accept all bids when we do 6-month bidding for road materials. At present, we now have all purchase orders reviewed and initialed by a second employee or county clerk. We constantly remind those encumbering these Purchase Orders that they must be encumbered prior to ordering goods or services.

**County Sheriff:** Going forward the Sheriff's office will adhere to OSAI's recommendations and implement policies and procedures to ensure that funds encumbered before goods and services and ordered or provided.

**County Treasurer:** I am the requisitioning officer, and my deputies are receiving agents. I am the only one who does requisitions in my office. My office registers the warrants from the County Clerk. Voided warrant report is reviewed monthly when I balance with the County Clerk. One disbursement is a transfer of the sales tax from one bank to another. When I request the purchase order for that transfer, we make sure that account is zeroed out as it should be monthly. The other disbursement is for the postage machine to do my mailings for the year. I get the purchase order and receive the check. They do not give me an invoice for this purchase but, I do call and get a receipt once the postage has been added.

**ADAIR COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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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.

The GAO Standards – Principle 10 – Design Control Activities – 10.03 states in part:

*Segregation of Duties*

Management divides or segregates key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. This includes separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets so that no one individual controls all key aspects of a transaction or event.

*Appropriate documentation of transactions and internal control*

Management clearly documents internal control and all transactions and other significant events in a manner that allows the documentation to be readily available for examination. The documentation may appear in management directives, administrative policies, or operating manuals, in either paper or electronic form. Documentation and records are properly managed and maintained.

Additionally, Principle 10 - Segregation of Duties states:

10.12 – Management considers segregation of duties in designing control activity responsibilities so that incompatible duties are segregated and, where such segregation is not practical, designs alternative control activities to address the risk.

10.13 – Segregation of duties helps prevent fraud, waste, and abuse in the internal control system. Management considers the need to separate control activities related to authority, custody, and accounting of operations to achieve adequate segregation of duties. In particular, segregation of duties can address the risk of management override. Management override circumvents existing control activities and increases fraud risk. Management addresses this risk through segregation of duties but cannot absolutely prevent it because of the risk of collusion, where two or more employees act together to commit fraud.

10.14 – If segregation of duties is not practical within an operational process because of limited personnel or other factors, management designs alternative control activities to address the risk of fraud, waste, or abuse in the operational process.

**ADAIR COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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The GAO Standards – Principle 13 – Use Quality Information states:

*Data Processed into Quality Information*

13.05 - Management processes the obtained data into quality information that supports the internal control system. This involves processing data into information and then evaluating the processed information so that it is quality information. Quality information meets the identified information requirements when relevant data from reliable sources are used. Quality information is appropriate, current, complete, accurate, accessible, and provided on a timely basis. Management considers these characteristics as well as the information processing objectives in evaluating processed information and makes revisions when necessary, so that the information is quality information.

13.06 - Management processes relevant data from reliable sources into quality information within the entity's information system. An information system is the people, processes, data, and technology that management organizes to obtain, communicate, or dispose of information. Management uses the quality information to make informed decisions and evaluate the entity's performance in achieving key objectives and addressing risks.

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

**Finding 2023-004 – Segregation of Duties Over the Payroll Process (Repeat Finding 2008-007, 2009-007, 2010-007, 2011-005, 2012-005, 2018-006, 2019-006, 2020-005, 2021-005, 2022-004)**

**Condition:** 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 the processing of a transaction. OSAI noted that the payroll clerk enrolls new employees and inputs them into the computer system, enrolls new employees into Oklahoma public employees retirement system (OPERS) and other benefits, maintains personnel files, makes payroll changes and/or updates in the system, removes terminated employees from the system, collects timesheets from all offices and recalculates hours, enters time into the computer system, prints the payroll verification reports and payroll affidavits, prints warrants, takes warrants to be registered at the Treasurer, receives registered warrants, takes warrants to the Board of County Commissioner's meeting, distributes warrants, and mails warrants for OPERS, taxes, insurance, etc.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure adequate segregation of duties in the County Clerk's office with regard to the payroll process.

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

**Recommendation:** OSAI recommends management be aware of this condition and determine if duties can be properly segregated. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risks involved with a concentration of

**ADAIR COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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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:**

**County Clerk:** Due to limited personnel, the Payroll Clerk does the entire Payroll Process and is also responsible for all processes regarding benefits, retirement, and insurance. Procedures are now implemented so that the County Clerk verifies all payroll verification reports and payroll affidavits, and another employee verifies timesheets. County Clerk also verifies new employee information, retirement, and insurance benefits. County Clerk picks up, separates and hands out checks to be mailed or picked up by employees.

**Criteria:** The GAO Standards – Principle 10 – Design Control Activities – 10.03 states in part:

*Segregation of Duties*

Management divides or segregates key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. This includes separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets so that no one individual controls all key aspects of a transaction or event.

Additionally, Principle 10 - Segregation of Duties states:

10.12 – Management considers segregation of duties in designing control activity responsibilities so that incompatible duties are segregated and, where such segregation is not practical, designs alternative control activities to address the risk.

10.13 – Segregation of duties helps prevent fraud, waste, and abuse in the internal control system. Management considers the need to separate control activities related to authority, custody, and accounting of operations to achieve adequate segregation of duties. In particular, segregation of duties can address the risk of management override. Management override circumvents existing control activities and increases fraud risk. Management addresses this risk through segregation of duties, but cannot absolutely prevent it because of the risk of collusion, where two or more employees act together to commit fraud.

10.14 – If segregation of duties is not practical within an operational process because of limited personnel or other factors, management designs alternative control activities to address the risk of fraud, waste, or abuse in the operational process.

**ADAIR COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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**SECTION 2—This section contains certain matters not required to be reported in accordance with *Government Auditing Standards*. However, we believe these matters are significant enough to bring to management’s attention. We recommend that management consider these matters and take appropriate corrective action.**

**Finding 2023-005 – Lack of Internal Controls Over Court Clerk and Segregation of Duties Over the Court Fund Collection and Disbursement Process (Repeat Finding)**

**Condition:** Upon inquiry and observation of the collection and disbursement processes of the Court Fund, it was noted that the Court Clerk 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.

Further, an examination of the Court Fund reflected the following:

- There is no mail log maintained.
- One person is responsible for preparing the court fund claims, printing vouchers, signing vouchers, take vouchers to be registered, mails vouchers to vendors, reconciles the reports to the Treasurer’s records and prepares the quarterly reports for the Court Fund.

**Cause of Condition:** Policies and procedures have not been designed and implemented in regard to the collection and disbursement processes of Court Fund.

**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 this condition and determine if duties can be properly segregated. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risk 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 approve accounting functions. Additionally, a mail log should be maintained for mail payments.

**Management Response:**

**Court Clerk:** The single cash register in the Court Clerk’s office is in plain view of the security camera. If there are any discrepancies when balancing at the end of the day, we will review the camera footage. I feel that with the security camera in place and the secure location of the single cash drawer, I am providing the highest amount of security to guard all cash monies paid into this office.

We have not yet implemented a policy of a mail log but will review the issue further. I, as the Court Clerk, am the ultimate responsible party for all monthly and quarterly financial reports, such as preparing court fund claims, printing vouchers, signing checks and mailing checks to vendors. I feel that since all court

**ADAIR COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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fund claims are reviewed, approved, and signed by the District Judge, this should not be a negative finding, but in an effort to resolve the issue, I am training my first deputy in the process of preparing claims, printing vouchers and preparing quarterly reports. Once she has been properly trained, we will divide the financial duties in order to have a checks and balance system.

**Criteria:** The GAO Standards – Principle 10 – Design Control Activities – 10.03 states in part:

*Segregation of Duties*

Management divides or segregates key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. This includes separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets so that no one individual controls all key aspects of a transaction or event.

Additionally, Principle 10 - Segregation of Duties states:

10.12 – Management considers segregation of duties in designing control activity responsibilities so that incompatible duties are segregated and, where such segregation is not practical, designs alternative control activities to address the risk.

10.13 – Segregation of duties helps prevent fraud, waste, and abuse in the internal control system. Management considers the need to separate control activities related to authority, custody, and accounting of operations to achieve adequate segregation of duties. In particular, segregation of duties can address the risk of management override. Management override circumvents existing control activities and increases fraud risk. Management addresses this risk through segregation of duties but cannot absolutely prevent it because of the risk of collusion, where two or more employees act together to commit fraud.

**Finding 2023-006 – Lack of Internal Controls and Noncompliance Over the Inmate Trust Fund Checking Account and Sheriff Commissary Fund (Repeat Finding)**

**Condition:** Upon inquiry and observation of the Inmate Trust Fund Checking Account, it was noted that the County Sheriff 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.

Further, an examination of the Inmate Trust Fund Checking Account and Sheriff Commissary Fund reflected the following:

Inmate Trust Fund Checking Account:

- Bank deposits are not verified to ensure accuracy.
- Bank reconciliations are not performed.

**ADAIR COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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- Reconciliation of individual inmate balances to the inmate trust fund checking account is not performed.
- There is no procedure for unclaimed property.
- One employee can receive monies from inmates, issue receipts, void receipts, post monies to inmate accounts, retrieve payments from the safe, prepare deposits, issue inmate trust checks to inmates and sign inmate trust checks.

**Sheriff Commissary Fund:**

- One employee is responsible for the following key functions: orders and purchases inventory, stocks, maintains, and receives inventory, inputs inventory into system, prepares inmate commissary orders and charges inmates accounts for commissary in the system.
- An annual commissary report is not filed with the Board of County Commissioners.

**Cause of Condition:** Policies and procedures have not been designed to ensure financial transactions regarding the Inmate Trust Fund Checking Account and Sheriff Commissary Fund are adequately segregated, properly accounted for, and made in compliance with state statutes.

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

**Recommendation:** OSAI recommends management be aware of this condition realize that a concentration of duties and responsibilities is not desired from a control point of view. Management should provide segregation of duties so that no employee is able to perform all accounting functions.

Further, OSAI recommends the following:

- Bank deposit slips/reports reviewed after deposit made at bank.
- Inmate Trust Fund reconciliations should be performed every month and maintained with all documentation to support the reconciliation. Additionally, the reconciliation should be reviewed for accuracy by someone other than the preparer.
- The inmate's ledger balances and deposits should be reconciled to the bank statements each month.
- The Sheriff should complete and file a report of the commissary with the Board of County Commissioners by January 15th, of each year in accordance with 19 O.S. § 180.43 D.
- Policies and procedures should be designed and implemented to ensure disposition of inmates unclaimed property are handled in accordance with 22 O.S. § 1325.

**Management Response:**

**County Sheriff:** I will follow OSAI recommendations and implement policies and procedures that ensure both the Inmate Trust Fund account and Sheriff Commissary account follow state statutes and guidelines as well as make sure that there is an adequate segregation of duties while performing the functions over the

**ADAIR COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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Inmate Trust Fund account and Commissary procedures. These policies and procedures will be put into place immediately and followed.

**Criteria:** The GAO Standards – Principle 10 – Design Control Activities – 10.03 states in part:

*Segregation of Duties*

Management divides or segregates key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. This includes separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets so that no one individual controls all key aspects of a transaction or event.

Additionally, Principle 10 - Segregation of Duties states:

10.12 – Management considers segregation of duties in designing control activity responsibilities so that incompatible duties are segregated and, where such segregation is not practical, designs alternative control activities to address the risk.

10.13 – Segregation of duties helps prevent fraud, waste, and abuse in the internal control system. Management considers the need to separate control activities related to authority, custody, and accounting of operations to achieve adequate segregation of duties. In particular, segregation of duties can address the risk of management override. Management override circumvents existing control activities and increases fraud risk. Management addresses this risk through segregation of duties but cannot absolutely prevent it because of the risk of collusion, where two or more employees act together to commit fraud.

10.14 – If segregation of duties is not practical within an operational process because of limited personnel or other factors, management designs alternative control activities to address the risk of fraud, waste, or abuse in the operational process.

Title 19 O.S. § 180.43 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 22 O.S. § 1325(F, H) outlines the procedures for handling unclaimed property.



**ADAIR COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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**SECTION 3—Findings related to the Report on Compliance for the U.S. Department of Treasury Coronavirus State and Local Fiscal Recovery Funds Program (CSLFRF) Requirements for an Alternative CSLFRF Compliance Examination Engagement**

**Finding 2023-010 – Lack of County-Wide Internal Controls Over Major Federal Program – Coronavirus State and Local Fiscal Recovery Funds (Repeat Finding 2022-010)**

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

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure the County complies with grant requirements.

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

**Recommendation:** OSAI recommends that the County implement a system of internal controls to ensure compliance with grant requirements.

**Management Response:**

**Chairman of the Board of County Commissioners, District 1, and District 3 County Commissioners:** In compliance with the recommendations provided by OSAI, the county will implement a robust system of internal controls to ensure adherence to all requirements. These controls will be designed to enhance accountability, improve monitoring, and ensure that all funds are managed in accordance with federal regulations.

**County Clerk:** The County Clerk will partner with the Board of County Commissioners, and we will try to design and implement internal controls for monitoring and reviewing of all federal expenditures.

**County Treasurer:** I will partner with the County Clerk and the Board of County Commissioners, and we will try to design and implement internal controls for monitoring and reviewing all federal expenditures.

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

*Definition of Internal Control*

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

**ADAIR COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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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.

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



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