



ADAIR COUNTY

Financial Report

For the fiscal year ended June 30, 2020

Cindy Byrd, CPA
State Auditor & Inspector

**ADAIR COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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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

May 16, 2022

TO THE CITIZENS OF
ADAIR COUNTY, OKLAHOMA

Transmitted herewith is the audit of Adair County, Oklahoma for the fiscal year ended June 30, 2020. 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,

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

**ADAIR COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

**ADAIR COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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 <i>Government Auditing Standards</i>	15
Schedule of Findings and Responses	17

FINANCIAL SECTION



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Independent Auditor's Report

TO THE OFFICERS OF
ADAIR 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 Adair County, Oklahoma, as of and for the year ended June 30, 2020, 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 Adair 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 Adair County as of June 30, 2020, 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 Adair County, as of and for the year ended June 30, 2020, 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 April 27, 2022, 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

April 27, 2022

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, 2020

	Beginning Cash Balances July 1, 2019	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2020
County Funds:						
County General	\$ 255,704	\$ 1,517,669	\$ 178,061	\$ 175,000	\$ 1,418,412	\$ 358,022
County Highway Unrestricted	950,812	2,319,072	350,000	-	2,372,002	1,247,882
Health	263,125	254,590	-	-	175,840	341,875
Resale Property	141,762	133,184	54,580	-	133,394	196,132
County Clerk Records Management and Preservation	15,435	28,146	-	-	22,441	21,140
Sheriff Drug Fund	2,719	-	-	-	850	1,869
County Clerk Lien Fee	5,160	7,067	-	-	5,329	6,898
Sheriff Community Service Sentencing Program	65,224	62,594	-	-	62,586	65,232
Sheriff Service Fee	134,113	253,457	-	-	297,627	89,943
Treasurer Mortgage Certification	24,964	2,525	-	-	7,158	20,331
Assessor Revolving Fee	10,105	2,416	-	-	644	11,877
Rural Fire-ST	547,253	270,377	-	-	248,831	568,799
Jail	199,362	799,292	-	-	837,142	161,512
Sheriff Commissary	29,103	13,953	-	-	24,944	18,112
Jail-ST	89,522	1,081,513	-	-	1,070,338	100,697
County Bridge and Road Improvement	757,512	318,326	-	-	313,394	762,444
911 Phone Fees	229,708	209,012	-	-	191,844	246,876
Flood Plain	623	250	-	-	-	873
S.T.O.P VAWA (Services-Training-Officers-Prosecutors)						
Violence Against Woman Act	85	-	-	-	-	85
Sheriff Cherokee Nation	9,674	26,500	-	-	35,575	599
Donations	36,024	14,580	-	-	10,198	40,406
Courthouse Maintenance-ST	60,002	540,756	-	-	535,619	65,139
Use Tax-ST	275,124	495,034	175,000	175,000	440,040	330,118
Sheriff Forfeiture	937	-	-	-	-	937
Trash Cop	5,805	2,347	-	-	3,960	4,192
Local Emergency Planning Committee	1,000	-	-	-	-	1,000
Sheriff Carson Grant	2,523	-	-	-	2,464	59
Court Clerk Payroll	45,135	167,861	-	-	178,072	34,924
Total - All County Funds	\$ 4,158,515	\$ 8,520,521	\$ 757,641	\$ 350,000	\$ 8,388,704	\$ 4,697,973

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, 2020

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 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. Disbursements are for the operations of the County Health Department.

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

County Clerk Records Management and Preservation – accounts for fees collected by the County Clerk for recording instruments. Disbursements are for the maintenance and preservation of public records.

ADAIR COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Sheriff Drug Fund – accounts for proceeds of forfeited property. Disbursements are for the enforcement of controlled substance laws.

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

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

Sheriff Service Fee – accounts for the collection and disbursement of sheriff process service fees, boarding of prisoners, courthouse security, juvenile transports, and mental health transports.

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

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

Rural Fire-ST – accounts for the sales tax collections received for operating and maintaining the Fire Departments in Adair County, as restricted by sales tax ballot.

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

Sheriff Commissary – accounts for collections from commissary sales in the county jail. Disbursements are for jail operations as defined by state statute.

Jail-ST – accounts for the collection of sales tax revenue. Disbursements are to the Adair County Jail Trust Authority for the construction and maintenance and operation of a jail facility, as restricted by the sales tax ballot.

County Bridge and Road Improvement – accounts for monies received from Oklahoma Department of Transportation. Monies are earmarked for bridges, roads, and certain improvements for roads.

911 Phone Fees – accounts for monies received from private telephone companies for the operations of emergency 911 services, as restricted by state statute.

Flood Plain – accounts for the collection of flood plain evaluation fees. Disbursements are used to pay any costs involved with the evaluations.

S.T.O.P VAWA (Services-Training-Officers-Prosecutors) Violence Against Women Act – accounts for a federal grant passed through the District Attorneys Council. Disbursements are for providing services to victims of domestic violence.

**ADAIR COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Sheriff Cherokee Nation – accounts for donations from the Cherokee Nation to fund a county sheriff deputy's salary.

Donations – accounts for donations made to the County (Park, Emergency Planning, and Fair Board). Disbursements are for the general operation of each account.

Courthouse Maintenance-ST – accounts for the collection of sales tax revenue. Disbursements are for the remodeling, new construction, and maintenance and operations of the Adair County Courthouse, as restricted by the sales tax ballot.

Use Tax-ST – account for use tax from the Oklahoma Tax Commission. Disbursements are for the general operation of the County.

Sheriff Forfeiture – accounts from proceeds from property forfeiture auctions. These funds are disbursed by the County Sheriff's office for the intervention and prevention of narcotics use.

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

Local Emergency Planning Committee – accounts for the receipt of funds from state and local governments and disbursed as restricted by the grant agreement.

Sheriff Carson Grant – accounts for local grant monies received from the Tom J. and Edna Mae Carson Foundation and disbursements are for the County Sheriff's office to purchase vehicles.

Court Clerk Payroll – accounts for funds deposited to be used for payroll for the Court Clerk's office.

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 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

**ADAIR COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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).

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

**ADAIR COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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.

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

**ADAIR COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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.

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.

**ADAIR COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

E. Interfund Transfers

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

- \$175,000 was transferred from the Use Tax-ST fund to the County General fund to meet requirements of appropriations in accordance with 68 O.S. § 3021.
- \$175,000 was transferred from the County General fund to the Use Tax-ST fund for repayment of the loan in accordance with 68 O.S. § 3021.
- \$3,061 was transferred from the Individual Redemption fund, a trust and agency fund, to the County General fund to close out the Individual Redemption fund.
- \$350,000 was transferred from the Emergency Transportation Revolving fund, a trust and agency fund, to the County Highway Unrestricted fund as a loan used for road projects in the County.
- \$54,580 was transferred from the Excess Resale Fund, a trust and agency fund, to the Resale Property fund in accordance with 68 O.S. § 3131.

SUPPLEMENTARY INFORMATION

ADAIR COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—
BUDGETARY BASIS—GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	General Fund		
	Budget	Actual	Variance
County Sheriff	\$ 270,000	\$ 265,869	\$ 4,131
County Treasurer	63,609	63,609	-
County Commissioners	16,580	1,728	14,852
OSU Extension	28,313	27,714	599
County Clerk	124,600	115,323	9,277
Court Clerk	76,518	75,184	1,334
County Assessor	46,806	46,806	-
Revaluation of Real Property	282,761	279,589	3,172
General Government	94,890	89,566	5,324
Excise - Equalization Board	3,500	3,391	109
County Election Expense	62,479	61,617	862
Insurance - Benefits	350,173	315,843	34,330
Purchasing Agent	31,680	31,466	214
Welfare Agencies	21,490	7,606	13,884
County Audit Budget Account	19,280	19,280	-
Free Fair Budget Account	3,000	2,989	11
Provision for Interest	1,000	210	790
Total Expenditures, Budgetary Basis	<u>\$ 1,496,679</u>	<u>\$ 1,407,790</u>	<u>\$ 88,889</u>

ADAIR COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—
BUDGETARY BASIS—HEALTH FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Health Fund		
	Budget	Actual	Variance
Health and Welfare	\$ 431,155	\$ 169,789	\$ 261,366
Total Expenditures, Budgetary Basis	<u>\$ 431,155</u>	<u>\$ 169,789</u>	<u>\$ 261,366</u>

ADAIR COUNTY, OKLAHOMA
NOTE TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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



OKLAHOMA
Office of the State Auditor & Inspector

Cindy Byrd, CPA | State Auditor & Inspector

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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 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, 2020, and the related notes to the financial statement, which collectively comprise Adair County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated April 27, 2022.

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, 2020, 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 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: 2020-001, 2020-004 and 2020-005.

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

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

Adair County's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Adair 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.

A handwritten signature in blue ink that reads "Cindy Byrd". The signature is fluid and cursive, with "Cindy" on top and "Byrd" below it, both starting with a capital letter.

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

April 27, 2022

**ADAIR COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

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 address the risks of the County.

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: We will work with the Elected Officials to help with Risk Assessment meetings, better communications, and procedures to allow the County to function in the most effective manner possible.

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

County Treasurer: I will try and get with the Chairman of the Board of County Commissioner and County Clerk to try and implement a quarterly meeting with all the 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 best practices and may be applied as a framework for an internal control system for state, local, and quasi-governmental entities.

**ADAIR COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

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.

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 2020-004 – Segregation of Duties Over Disbursement Process (Repeat Finding 2008-005, 2009-005, 2010-005, 2011-004, 2012-004, 2018-005, 2019-005)

Condition: Upon inquiry and observation of the County's disbursement process, it was noted that the County 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.

Cause of Condition: Policies and procedures have not been designed and implemented with regard to the segregation of duties and/or compensating controls of the disbursement process. Procedures have not been designed and implemented to ensure compliance with state statutes.

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

Management Response:

County Clerk: Due to limited personnel, the Purchasing Agent is responsible for encumbering funds, issuing purchase orders, assigning warrants on purchase orders, and verifying documentation. However, I have implemented procedures so that myself or another deputy reviews purchase orders and someone other than the purchasing agent will compare the printed warrants and affidavits to the purchase orders.

ADAIR COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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.

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

Condition: Upon inquiry and observation of the County's payroll process, it was noted that the County 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.

Furthermore, the Court Clerk and County Sheriff do not submit leave balances to the County Clerk.

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 and to ensure adherence to the policies and procedures in the County Employee personnel policy handbook.

ADAIR COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Effect of Condition: This condition could result in unrecorded transactions, misstated financial reports, undetected errors, and misappropriation of funds. Additionally, it resulted in non-adherence to the policies and procedures outlined in the County Employee personnel policy handbook.

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 duties. Compensating controls would include separating key processes and/or critical functions of the office and having management review and approval of accounting functions.

Also, OSAI recommends that all offices within the County adhere to the policies and procedures in the County Employee personnel policy handbook.

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. However, the County Clerk always checks verification reports to check pay codes and information on new employees and terminated employees and checks any changes or updates made since last payroll. Someone other than the payroll clerk compares timesheets turned in to the verification report and compares the verification report to the payroll affidavit. I or one of my deputies verifies new employee information, retirement and insurance benefits. I or another deputy other than the Payroll Clerk takes checks to be signed to the Commissioners and also pick up, separate and hand out checks to be mailed or picked up by employees or officials.

Court Clerk: I am currently working on creating a timesheet form that will include the total amount of leave used and leave balance and will provide this to the County Clerk beginning January 1, 2022.

County Sheriff: Leave balances will provided to the County Clerk monthly as per the County's Employee Personnel Policy Handbook.

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.

**ADAIR COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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.

The Adair County Employee Personnel Policy Handbook state in part: “Each elected official shall be responsible for keeping records of the leaves taken by his/her employees and shall make monthly reports to the County Clerk.”

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 2020-006 – Segregation of Duties Over the Court Fund Collection and Disbursement Processes

Condition: Upon inquiry and observation of the Court Clerk’s collection and disbursement processes, 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.

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

ADAIR COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

duties. Compensating controls would include separating key processes and/or critical functions of the office and having management review and approve accounting functions.

Management Response:

Court Clerk: Yes, all employees work from the same cash drawer, but this drawer is located at the front counter (not accessible by the general public) and is in clear view of the courthouse security camera. We have not implemented a policy of maintaining a mail log. I, as the Court Clerk, am currently reviewing and approving voided receipts. My First Deputy, who accepted a position at another office in July of 2021, handled the printing of vouchers and preparing court fund claims. I have not yet named a replacement First Deputy, but plan to do so before the end of the year. The First Deputy will then take on the responsibilities as the former First Deputy.

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.

Finding 2020-007 – Lack of Internal Controls and Noncompliance Over the Inmate Trust Fund Checking Account and Sheriff Commissary Fund

Condition: During our observation and review of the Inmate Trust Fund Checking Account and Sheriff Commissary fund, the following was noted:

Inmate Trust Fund Checking Account:

- Bank deposits are not verified to ensure accuracy.
- Bank reconciliations are not performed.
- Reconciliation of individual inmate balances to the Inmate Trust Fund Checking Account is not performed.
- There is no policy or procedures regarding unclaimed funds.
- 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.

**ADAIR COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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.
- No annual commissary report is filed with the Board of County Commissioners by January 15th, of each year.

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 made in compliance with state statutes.

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

Recommendation: 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 County Commissioners by January 15th, of each year.
- The County Sheriff should establish policies and procedures to ensure disposition of inmates unclaimed property funds are handled in accordance with 22 O.S. § 1325 (F, H).

Management Response:

County Sheriff: I will follow OSAI recommendations and implement policies and procedures that insure both the inmate trust account and Sheriff Commissary account follow state statutes and guidelines. 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.

ADAIR COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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.



Cindy Byrd, CPA | State Auditor & Inspector

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