



ALFALFA COUNTY

Financial Report

For the fiscal year ended June 30, 2019

Cindy Byrd, CPA
State Auditor & Inspector

**ALFALFA COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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Cindy Byrd, CPA | State Auditor & Inspector

2300 N. Lincoln Blvd., Room 123, Oklahoma City, OK 73105 | 405.521.3495 | www.sai.ok.gov

May 24, 2021

TO THE CITIZENS OF
ALFALFA COUNTY, OKLAHOMA

Transmitted herewith is the audit of Alfalfa County, Oklahoma for the fiscal year ended June 30, 2019. The audit was conducted in accordance with 19 O.S. § 171.

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

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

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

Sincerely,

A handwritten signature in blue ink that reads "Cindy Byrd". The signature is fluid and cursive, with the first and last names clearly legible.

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



**ALFALFA COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Board of County Commissioners

District 1 – Jay Hague
District 2 – Stan Tucker
District 3 – Marvin Woodall

County Assessor

Jennifer Roach

County Clerk

Laneta Unruh

County Sheriff

Rick Wallace

County Treasurer

Valerie Vetter

Court Clerk

Tammi Miller

District Attorney

Christopher Boring

**ALFALFA COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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FINANCIAL SECTION

Independent Auditor's Report

TO THE OFFICERS OF
ALFALFA COUNTY, OKLAHOMA

Report on the Financial Statement

We have audited the combined total—all county funds on the accompanying regulatory basis Statement of Receipts, Disbursements, and Changes in Cash Balances of Alfalfa County, Oklahoma, as of and for the year ended June 30, 2019, 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 Alfalfa 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 Alfalfa County as of June 30, 2019, 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 combined total of receipts, disbursements, and changes in cash balances for all county funds of Alfalfa County, for the year ended June 30, 2019, 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 combined 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 May 19, 2021, on our consideration of Alfalfa 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 Alfalfa County's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Cindy Byrd". The signature is written in a cursive, flowing style.

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

May 19, 2021

REGULATORY BASIS FINANCIAL STATEMENT

ALFALFA COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS
(WITH COMBINING INFORMATION)
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Beginning Cash Balances July 1, 2018	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2019
Combining Information:						
County General Fund	\$ 2,282,337	\$ 1,895,701	\$ -	\$ -	\$ 2,481,976	\$ 1,696,062
T-Highway	4,343,487	7,570,648	-	-	6,623,849	5,290,286
Emergency Service District Sales Tax	17,420,086	1,138,487	-	-	2,543,554	16,015,019
Resale Property	144,278	38,329	-	-	71,395	111,212
Sheriff Service Fee	220,368	57,225	4,743	-	49,949	232,387
Sheriff Cash Courthouse Security	4,743	-	-	4,743	-	-
Sheriff Revolving Fee	3,962	32,653	-	-	24,776	11,839
County Clerk Lien Fee	290,894	15,540	-	-	33,082	273,352
Treasurer Mortgage Tax Certification Fee	4,153	785	-	-	512	4,426
Community Service Program	2,713	-	-	-	-	2,713
County Clerk Preservation	100,772	13,850	-	-	10,114	104,508
Assessor Visual Inspection	6,349	65	-	-	-	6,414
Assessor Revolving	22,427	4,131	-	-	-	26,558
Fair Arena Sales Tax	1,115,835	239,520	-	-	409,395	945,960
Enhanced 911 Cash	272,761	117,908	-	-	167,060	223,609
Emergency Grant	3,239	3	-	-	1,653	1,589
Highway Sales Tax District 1	521,954	149,536	-	-	-	671,490
Highway Sales Tax District 2	573,090	149,536	-	-	-	722,626
Highway Sales Tax District 3	100,380	149,536	-	-	-	249,916
County General Sales Tax	1,172,859	403,748	-	-	353,190	1,223,417
Cash 911 Sales Tax	123,674	233,276	-	-	189,620	167,330
Local Emergency Planning Committee	-	1,000	-	-	313	687
Combined Total - All County Funds	\$ 28,730,361	\$ 12,211,477	\$ 4,743	\$ 4,743	\$ 12,960,438	\$ 27,981,400

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

**ALFALFA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

1. Summary of Significant Accounting Policies

A. Reporting Entity

Alfalfa 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 emergency medical districts, school districts, and cities and towns. The cash receipts and disbursements attributable to those other entities do not appear in funds on the County's financial statement; those funds play no part in the County's operations. Any trust or agency funds maintained by the County are not included in this presentation.

B. Fund Accounting

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

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

County General Fund – accounts for revenues derived from ad valorem tax, officer's fees, interest earnings, and miscellaneous collections of the County. Disbursements are for the general operations of the County.

T-Highway – accounts for revenues derived from state-imposed fuel taxes and disbursements are for the maintenance and construction of County roads and bridges.

Emergency Service District Sales Tax – accounts for sales tax collected and disbursed for the purpose of maintaining the health and well-being of the people and general operations of the emergency services.

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

ALFALFA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

Sheriff Cash Courthouse Security – accounts for revenues received from court fees and tickets. Disbursements are for expenditures related to Courthouse security costs.

Sheriff Revolving Fee – accounts for the collection of monies from the Oklahoma Department of Corrections and disbursements are for the purpose of operating and maintaining the jail.

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

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

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

County Clerk Preservation – accounts for fees collected for instruments filed in the County Clerk's office as restricted by state statute for the preservation of records.

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

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

Fair Arena Sales Tax – accounts for sales tax collection and disbursed for the purpose of construction, repairing, and maintaining County fairgrounds.

Enhanced 911 Cash – accounts for the receipt of fees from telephone companies and disbursements of funds for the operation of Enhanced 911.

Emergency Grant – accounts for federal grant receipts for Emergency Management and disbursed for the purpose designated in the grant contract.

Highway Sales Tax District 1 – accounts for sales tax collected and disbursed for the purpose of construction, repairing, and maintaining County roads.

Highway Sales Tax District 2 – accounts for sales tax collected and disbursed for the purpose of construction, repairing, and maintaining County roads.

Highway Sales Tax District 3 – accounts for sales tax collected and disbursed for the purpose of construction, repairing, and maintaining County roads.

**ALFALFA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

County General Sales Tax – accounts for sales tax collected and disbursed for the purpose of general operations of the County.

Cash 911 Sales Tax – accounts for the sales tax collected and disbursed for 911 emergency telephone services.

Local Emergency Planning Committee – accounts for grant monies received and the disbursement of funds for emergency planning, training, and equipment.

C. Basis of Accounting

The financial statement is prepared on a basis of accounting wherein amounts are recognized when received or disbursed. This basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred. This regulatory basis financial presentation is not a comprehensive measure of economic condition or changes therein.

Title 19 O.S. § 171 specifies the format and presentation for Oklahoma counties to present their financial statement 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. 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

**ALFALFA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

identifiable on the County's books. The balance in the pooled cash accounts is available to meet current operating requirements.

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

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

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

2. Ad Valorem Tax

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

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

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

**ALFALFA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

3. Other Information

A. Pension Plan

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

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

B. Other Post Employment Benefits (OPEB)

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

C. Contingent Liabilities

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

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

D. Sales Tax

Sales Tax of November 8, 2016

On November 8, 2016, the citizens of Alfalfa County voted on and approved a two percent (2%) sales tax with fifty-two percent (52%) of the proceeds for the purpose pertaining to the health and well-being of the people, including the personal services and general operation of the Alfalfa

**ALFALFA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

County Emergency Services; eighteen (18%) of proceeds for the general operations, personal services, and improvements of the government of Alfalfa County; ten percent (10%) of proceeds for the continued construction, personal services, maintenance, operation, and repair of the Alfalfa County Fairgrounds, and twenty percent (20%) for purposes of the construction and maintenance of county blacktop roads. The sales tax shall begin January 1, 2017 and continue for 48 months until December 31, 2020.

The sales tax collections and disbursements for the health and well-being of the residents of Alfalfa County are accounted for in the Emergency Medical Service District Sales Tax fund. The sales tax collections and disbursements for the county fairgrounds are accounted for in the Fair Arena Sales Tax fund. The sales tax collections and disbursements for the general operations of the County are accounted for in the County General Sales Tax fund. The collections and disbursements of sales tax for construction and maintenance of County blacktop roads are accounted for in the Highway Sales Tax District 1 fund, Highway Sales Tax District 2 fund, and Highway Sales Tax District 3 fund. The sales tax collections and disbursements for the Enhanced 911 are accounted for in the Cash 911 Sales Tax fund.

E. Interfund Transfers

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

- \$4,743 was transferred to the Sheriff Service Fee fund from the Sheriff Cash Courthouse Security fund by Board of County Commissioner resolution to close the fund.

SUPPLEMENTARY INFORMATION

ALFALFA COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—
BUDGETARY BASIS—COUNTY GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	County General Fund		
	Budget	Actual	Variance
District Attorney - County	\$ 2,500	\$ 1,759	\$ 741
County Sheriff	575,001	547,760	27,241
County Treasurer	136,526	134,025	2,501
County Commissioners	2	-	2
OSU Extension	77,254	56,549	20,705
County Clerk	161,241	158,241	3,000
Court Clerk	131,100	130,857	243
County Assessor	129,620	120,289	9,331
Revaluation of Real Property	132,740	122,427	10,313
General Government	152,761	89,762	62,999
Excise Board	4,000	2,932	1,068
County Election Expense	74,504	71,479	3,025
Insurance - Benefits	1,363,472	752,082	611,390
Charity	1	-	1
Fire Fighting Services	1	-	1
Civil Defense	1	-	1
Emergency Management	51,720	43,298	8,422
E911 Dispatcher Supervisor	274,882	249,731	25,151
County Audit Budget	23,683	21,568	2,115
County Cemetary Account	1	-	1
Library Budget Account	10,000	10,000	-
Public Health Budget Account	1	-	1
Total Expenditures, Budgetary Basis	<u>\$ 3,301,011</u>	<u>\$ 2,512,759</u>	<u>\$ 788,252</u>

**ALFALFA COUNTY, OKLAHOMA
NOTE TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

1. Budgetary Schedules

The Comparative Schedules of Expenditures—Budget and Actual—Budgetary Basis for the County General 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 (with Combining Information) because of adopting certain aspects of the budgetary basis of accounting and the adjusting of encumbrances and outstanding warrants to their related budget year.

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

INTERNAL CONTROL AND COMPLIANCE SECTION

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

TO THE OFFICERS OF
ALFALFA COUNTY, OKLAHOMA

We have audited, in accordance with the 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 combined total—all funds of the accompanying Statement of Receipts, Disbursements, and Changes in Cash Balances (with Combining Information) of Alfalfa County, Oklahoma, as of and for the year ended June 30, 2019, and the related notes to the financial statement, which collectively comprises Alfalfa County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated May 19, 2021

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 for the year ended June 30, 2019, 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 Alfalfa County's internal control over financial reporting (internal control) to determine the 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 Alfalfa County's internal control. Accordingly, we do not express an opinion on the effectiveness of Alfalfa County's internal control.

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



A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses: 2019-001, 2019-002 and 2019-004.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency: 2019-003.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Alfalfa 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Alfalfa County's Response to Findings

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

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 result 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.

This report is also a public document pursuant to the Oklahoma Open Records Act (51 O.S. § 24A.1 et seq.), and shall be open to any person for inspection and copying.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

May 19, 2021

**ALFALFA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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 2019-001 – Lack of County-Wide Internal Controls (Repeat Finding – 2013-001, 2014-001, 2017-001, 2018-001)

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

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: At our last County Officer’s meeting, we discussed potential risks and had a good group discussion. We will continue to meet regularly to discuss County-Wide Controls.

County Clerk: We are trying to go back to monthly meetings instead of quarterly. If monthly meetings are not feasible, we will meet in smaller groups to discuss the five components of County-Wide Internal Controls.

County Treasurer: We will continue to work on the development of documentation for County-Wide Internal Controls.

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.

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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.

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 2019-002 – Reconciliation of Appropriation Ledger to General Ledger (Repeat Finding 2013-002, 2014-002, 2017-002, 2018-002)

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

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

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

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

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Management Response:

County Clerk: We are working toward reconciling the appropriation ledger to the general ledger. Our goal is to have this completed prior to the Treasurer changing over to new software.

County Treasurer: We are working on completing the reconciliation of the appropriation ledger to the general ledger for all funds.

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

Internal Control System Monitoring

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

Finding 2019-003 – Lack of Internal Controls and Monitoring Over Bank Reconciliations (Repeat Finding 2014-001, 2017-003, 2018-003)

Condition: The County Treasurer was not able to correctly identify all reconciling items for the June 30, 2019 bank reconciliations in a timely manner. As a result, the following amounts were unsubstantiated:

- Reconciling items of \$1,802 could not be supported on the bank reconciliation for the Alfalfa Co Treas Account.
- Reconciling items of \$1,148 could not be supported on the bank reconciliation for the Alfalfa Co Clerk Elect Transfer Account.
- Reconciling items of \$3,339 could not be supported on the bank reconciliation for the S/N Account.
- Reconciling items of \$5 could not be supported on the bank reconciliation for the IRS Transfer Account.
- Reconciling items of \$612 could not be supported on the bank reconciliation for the MMDA Account.
- Reconciling items of \$330 could not be supported on the bank reconciliation for the Protest Tax Account.
- Reconciling items of \$111,372 could not be supported on the bank reconciliation for the Payroll Tax Account.

Additionally, accurate general ledger balances were not used in bank reconciliations performed by the Treasurer for three (3) accounts.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure the accuracy of bank reconciliations and irregularities in financial records be investigated and resolved in a timely manner.

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Effect of Condition: These conditions could result in unrecorded transactions, undetected errors, and misappropriation of funds.

Recommendation: OSAI recommends that the County design policies and procedures to ensure that all activity on all bank statements is complete and accurate. OSAI further recommends that all financial record irregularities be investigated in a timely manner.

Management Response:

County Treasurer: I am currently researching the bank reconciliation variances from the point in which they began.

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.

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

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.

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.

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

Internal Control System Monitoring

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

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Finding 2019-004 – Management Override of Purchasing Procedures

Condition: During documentation of internal controls over disbursements, OSAI noted the County Commissioners pre-sign blank Purchase Order Request Forms authorizing the requisition of goods or services. The signed forms are held by the County Purchasing Agent for the fire districts and the Alfalfa County Emergency Medical Service (EMS) to be completed when the fire districts or EMS needs goods or services. The Purchasing Agent, fire district, or EMS personnel complete the form by filling in date, vendor, purpose, and amount.

The fire district and EMS disbursements for the fiscal year were \$2,543,554.

Cause of Condition: For the convenience of County personnel processing purchase orders, the County Commissioners and County Clerk's office have overridden internal controls.

Effect of Condition: The County Commissioners and County Clerk's office have created a breakdown in internal controls established over purchasing procedures by relinquishing their requisitioning duties. This condition increases the risk and opportunity of unauthorized purchases. Management's overriding of internal controls circumvents existing control activities and increases fraud risk.

Recommendation: OSAI recommends Purchase Order Request Forms only be signed by the requisitioning officers after the requisition/purchase order form has been completed. Under no circumstances should a blank Purchase Order Request Form be signed by a requisitioning officer.

Management Response:

Chairman of the Board of County Commissioners: We will address this issue.

District 1 County Commissioner: We will reevaluate the process for requisitioning for the Alfalfa County Emergency Medical Service and the rural fire departments' purchases.

County Clerk: We are discussing ways to best handle the requisitioning for the remote locations.

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

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

Additionally, GAO Standards – Principle 8 – Fraud Risk Factors – 8.04 states:

Management considers fraud risk factors. Fraud risk factors do not necessarily indicate that fraud exists but are often present when fraud occurs. Fraud risk factors include the following:

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- **Incentive/pressure** - Management or other personnel have an incentive or are under pressure, which provides a motive to commit fraud.
- **Opportunity** - Circumstances exist, such as the absence of controls, ineffective controls, or the ability of management to override controls, that provide an opportunity to commit fraud.
- **Attitude/rationalization** - Individuals involved are able to rationalize committing fraud. Some individuals possess an attitude, character, or ethical values that allow them to knowingly and intentionally commit a dishonest act.

Further, GAO Standards – Principle 8 – Response to Fraud Risk – 8.06 states:

Management analyzes and responds to identified fraud risks so that they are effectively mitigated. Fraud risks are analyzed through the same risk analysis process performed for all identified risks. Management analyzes the identified fraud risks by estimating their significance, both individually and in the aggregate, to assess their effect on achieving the defined objectives. As part of analyzing fraud risk, management also assesses the risk of management override of controls. The oversight body oversees management's assessments of fraud risk and the risk of management override of controls so that they are appropriate.



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