



CADDO COUNTY

Financial Report

For the fiscal year ended June 30, 2018

Cindy Byrd, CPA
State Auditor & Inspector

**CADDO COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

This publication, issued by the Oklahoma State Auditor and Inspector's Office as authorized by 19 O.S. § 171, has not been printed, but is available on the agency's website (www.sai.ok.gov) and in the Oklahoma Department of Libraries Publications Clearinghouse Digital Prairie Collection (<http://digitalprairie.ok.gov/cdm/search/collection/audits/>) pursuant to 65 O.S. § 3-114.



Cindy Byrd, CPA | State Auditor & Inspector

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

June 3, 2020

TO THE CITIZENS OF
CADDO COUNTY, OKLAHOMA

Transmitted herewith is the audit of Caddo County, Oklahoma for the fiscal year ended June 30, 2018. 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



**CADDO COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Board of County Commissioners

District 1 – Benny Bowling
District 2 – Randy McLemore
District 3 – Brent Kinder

County Assessor

Edward Whitworth

County Clerk

Patrice Dolch

County Sheriff

Lennis Miller

County Treasurer

Regina Moser

Court Clerk

Patti Barger

District Attorney

Jason Hicks

**CADDO COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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 (with Combining Information).....	4
Notes to the Financial Statement.....	6

SUPPLEMENTARY INFORMATION

Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—General Fund.....	17
Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—County Health Department Fund	18
Note to Supplementary Information	19
Schedule of Expenditures of Federal Awards	20
Notes to the Schedule of Expenditures of Federal Awards	21

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>	22
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance	24

**CADDO COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

INTERNAL CONTROL AND COMPLIANCE SECTION - CONTINUED

Schedule of Findings and Questioned Costs.....	27
Appendix A: Corrective Action Plan (Prepared by County Management).....	40
Appendix B: Summary Schedule of Prior Audit Findings (Prepared by County Management)	43

FINANCIAL SECTION

Independent Auditor's Report

TO THE OFFICERS OF
CADDO 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 Caddo County, Oklahoma, as of and for the year ended June 30, 2018, 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 Caddo 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 Caddo County as of June 30, 2018, 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 Caddo County, for the year ended June 30, 2018, in accordance with the basis of accounting described in Note 1.

Emphasis of Matter

As discussed in Note 3 to the financial statement, the June 30, 2018 financial statement has been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

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 accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the remaining supplementary information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statement.

The schedule of expenditures of federal awards and the remaining supplementary information is the responsibility of management and was derived from and related 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 schedule of expenditures of federal awards and the remaining 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 27, 2020, on our consideration of Caddo 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 Caddo County's internal control over financial reporting and compliance.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

May 27, 2020

REGULATORY BASIS FINANCIAL STATEMENT

CADDO COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS
(WITH COMBINING INFORMATION)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Beginning Cash Balances July 1, 2017	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2018
Combining Information:						
County General Fund	\$ 988,604	\$ 2,953,186	\$ -	\$ -	\$ 2,528,437	\$ 1,413,353
County Highway Fund	1,754,316	4,749,292	-	42,145	4,838,533	1,622,930
County Highway Fund T-8	743,052	368,235	-	-	594,993	516,294
County Health Department	307,969	192,745	-	-	174,841	325,873
Resale Property	303,545	127,324	376	-	118,614	312,631
CED Circuit Engineering	12,604	-	-	-	7,139	5,465
County Bridge and Road Improvements	814,930	1,117,327	-	19,206	855,669	1,057,382
County Use Tax	256,049	346,627	-	-	225,178	377,498
Cash County Treasurer	26,848	3,825	-	-	11,246	19,427
Cash County Clerk	143,452	75,698	-	-	77,124	142,026
Cash County Assessor	205	-	-	-	-	205
Assessor Revolving	21,261	7,310	-	-	-	28,571
Sheriff Cash	209,773	203,874	-	-	166,440	247,207
Sheriff Department of Corrections	275,905	515,549	-	-	234,592	556,862
Sheriff State Criminal Alien Assistance Program (SCAAP) Grant	289	-	-	-	-	289
Sheriff Drug Enforcement	1,334	5,150	-	-	1,048	5,436
Sheriff Courthouse Security	3,682	20,703	-	-	20,806	3,579
Sheriff Recovery Justice Assistance Grant	33	-	-	-	-	33
Sheriff Special Response Team	1,877	-	-	-	465	1,412
E-911 Association of South Central Oklahoma Governments	67,380	-	-	64,905	2,475	-
E-911 Wireless	-	229,734	64,905	-	235,595	59,044
County Clerk Records Preservation	153,264	53,109	-	-	46,677	159,696
OSU Extension Support Fund	464	-	-	-	-	464
Sales Tax .75	-	1,800,893	-	705,790	1,095,103	-
OSU Extension Sales Tax	56,139	108,093	-	-	61,713	102,519
3/8 911 Sales Tax	340	-	223,260	-	217,673	5,927
3/8 Sheriff Sales Tax	190,447	1,228	482,530	-	672,422	1,783
Sheriff Sales Tax	19,087	132,066	-	-	127,636	23,517
Capital Improvements Sales Tax	154,009	183,284	-	-	145,571	191,722
Free Fair and Livestock Sales Tax	21,691	73,174	-	-	40,318	54,547
Township Fair Sales Tax	59,989	72,036	-	-	61,711	70,314
Rural Fire Sales Tax	183,922	144,071	-	-	94,557	233,436
Fairgrounds/Facilities Sales Tax	24,669	18,009	-	-	15,983	26,695
Anadarko Senior Citizen Sales Tax	3,005	16,508	-	-	12,099	7,414
Apache Senior Citizen Sales Tax	2,488	16,508	-	-	15,175	3,821
Binger Senior Citizen Sales Tax	1,214	16,508	-	-	15,769	1,953
Carnegie Senior Citizen Sales Tax	2,115	16,508	-	-	10,181	8,442
Cement Senior Citizen Sales Tax	16,356	16,508	-	-	15,083	17,781
Cyril Senior Citizen Sales Tax	1,397	16,508	-	-	14,113	3,792
Fort Cobb Senior Citizen Sales Tax	3,161	16,508	-	-	15,145	4,524
Hinton Senior Citizen Sales Tax	37,239	16,508	-	-	19,693	34,054
Health Sales Tax	5,387	18,009	-	-	18,980	4,416
Emergency Reserve Fund Sales Tax	60,000	-	-	-	-	60,000
Ambulance Service Fund Sales Tax	23,506	360,179	-	-	340,650	43,035
Ambulance Run Fund Sales Tax	35,515	240,119	-	-	212,212	63,422

Continued on next page

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

CADDO COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS
(WITH COMBINING INFORMATION)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Beginning Cash Balances July 1, 2017	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2018
Continued from previous page:						
E-911-5	57,014	148,936	-	-	158,482	47,468
Emergency Management SLA	13,719	15,000	-	-	2,458	26,261
Court Clerk Cimarex Settlement	78,004	-	-	-	2,416	75,588
County Farm Lease	23,000	5,825	-	-	-	28,825
Local Environmental Planning Commission	6,540	1,000	-	-	2,591	4,949
Community Service Sentencing Program	152	-	-	-	-	152
Civil Emergency	995	-	-	-	-	995
Court Clerk Oklahoma Bar Foundation 2013 Grant	9	-	-	-	-	9
Veterans Statue	751	-	-	-	-	751
Reward Fund	200	-	-	-	-	200
Washita River Bridge Project	53,441	-	-	53,441	-	-
Fair Board Awards and Donations	1,558	3,050	-	-	3,490	1,118
JAG 2015 Grant - Sheriff	9,992	-	-	-	-	9,992
Special Response Team Donations	50	-	-	-	-	50
Sheriff Donations	11,450	2,000	-	-	-	13,450
Apache Nutrition Center Building	2,965	-	-	-	-	2,965
Drug Court	19,276	6,236	-	-	2,500	23,012
Detention Center Commissary	19,969	24,338	-	-	-	44,307
Sheriff Canine Officer Donation	15,836	3,070	-	-	17,069	1,837
BIA Radio Tower	25,184	-	-	-	-	25,184
Court Fund Payroll	1,369	95,014	-	-	94,032	2,351
BIA - Apache	-	337,300	-	-	337,300	-
BIA - Wichita D-3	-	-	352,145	-	337,982	14,163
BIA - Wichita D-1	-	-	127,516	18,310	107,578	1,628
BIA - AP - 7 Bridges	-	467,011	-	-	467,011	-
BIA - Oak Cliff	-	1,295,726	-	-	1,295,726	-
BIA - Windmill/Stecker Roads	-	149,340	-	-	149,340	-
Combined Total - All County Funds, as Restated	\$ 7,329,986	\$ 16,806,759	\$ 1,250,732	\$ 903,797	\$ 16,339,634	\$ 8,144,046

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

**CADDO COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

1. Summary of Significant Accounting Policies

A. Reporting Entity

Caddo 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 the general operations of the government.

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

County Highway Fund T-8 – accounts for state receipts and disbursements for the purpose of maintaining roads.

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

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

**CADDO COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

CED Circuit Engineering – accounts for collections from the CED District to be disbursed for road and bridge projects.

County Bridge and Road Improvements – accounts for state receipts and disbursed for the purpose of county bridge and road improvements.

County Use Tax – accounts for use tax collected and disbursed for the purpose of maintenance and operation of the Sheriff's department.

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

Cash County Clerk – accounts for lien fee collections and disbursements as restricted by state statute.

Cash County Assessor – accounts for the collection and disbursement of monies by the Assessor as restricted by state statute for the visual inspection program.

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

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

Sheriff Department of Corrections – accounts for collections of funding through the State Department of Corrections for housing prisoners and disbursed in accordance with state statute.

Sheriff State Criminal Alien Assistance Program (SCAAP) Grant – accounts for federal grant funds for the purpose of housing illegal alien criminals in the County jail.

Sheriff Drug Enforcement – accounts for forfeitures and disbursements for drug enforcement.

Sheriff Courthouse Security – accounts for the collections of fees from court costs and disbursed for surveillance equipment.

Sheriff Recovery Justice Assistance Grant – accounts for the collection of grant monies to be distributed by the Sheriff's office in deterring gang related activities.

Sheriff Special Response Team – accounts for all federal grants collected and disbursed for the purpose of the Special Response Team.

E-911 Association of South Central Oklahoma Governments – accounts for the collection of pre-paid 911 fees from the State of Oklahoma to be disbursed for operations of E-911.

**CADDO COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

E-911 Wireless – accounts for the collection of fees imposed on the residents within the boundaries of Caddo County from the local wireless service providers and disbursements are made to maintain an emergency telephone system.

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

OSU Extension Support Fund – accounts for collections from donations to be disbursed for operations of the OSU Extension office.

Sales Tax .75 – accounts for actual collections and disbursements of the 3/4% cent sales tax established as a separate fund by the County.

OSU Extension Sales Tax – accounts for monies collected from the .50% county sales tax and disbursed for OSU Extension services.

3/8 911 Sales Tax – accounts for monies collected from the 3/4% county sales tax and is expended for the maintenance and operation of the 911 center.

3/8 Sheriff Sales Tax – accounts for monies collected from the 3/4% county sales tax and is expended for the maintenance and operation of the Detention Center and other public safety services.

Sheriff Sales Tax – accounts for the .50% county sales tax collected and disbursed for the Sheriff's office.

Capital Improvements Sales Tax – accounts for the .50% county sales tax collected and disbursed for improvements of the courthouse.

Free Fair and Livestock Sales Tax – accounts for the .50% county sales tax collected and disbursed for improvements of the County fairgrounds.

Township Fair Sales Tax – accounts for the .50% county sales tax collected and disbursed for operation of the township fairs.

Rural Fire Sales Tax – accounts for the .50% county sales tax collected and disbursed for maintenance and operation of the rural fire districts in the County.

Fairgrounds/Facilities Sales Tax – accounts for the .50% county sales tax collected and disbursed for maintenance of the fairground facilities.

Anadarko Senior Citizen Sales Tax – accounts for the .50% county sales tax collected and disbursed for the maintenance and operation of the Senior Citizen Center.

**CADDO COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Apache Senior Citizen Sales Tax – accounts for the .50% county sales tax collected and disbursed for the maintenance and operation of the Senior Citizen Center.

Binger Senior Citizen Sales Tax – accounts for the .50% county sales tax collected and disbursed for the maintenance and operation of the Senior Citizen Center.

Carnegie Senior Citizen Sales Tax – accounts for the .50% county sales tax collected and disbursed for the maintenance and operation of the Senior Citizen Center.

Cement Senior Citizen Sales Tax – accounts for the .50% county sales tax collected and disbursed for the maintenance and operation of the Senior Citizen Center.

Cyril Senior Citizen Sales Tax – accounts for the .50% county sales tax collected and disbursed for the maintenance and operation of the Senior Citizen Center.

Fort Cobb Senior Citizen Sales Tax – accounts for the .50% county sales tax collected and disbursed for the maintenance and operation of the Senior Citizen Center.

Hinton Senior Citizen Sales Tax – accounts for the .50% county sales tax collected and disbursed for the maintenance and operation of the Senior Citizen Center.

Health Sales Tax – accounts for the .50% county sales tax collected and disbursed for the maintenance and operation of the county health department.

Emergency Reserve Fund Sales Tax – accounts for the monies transferred for the Ambulance Service Fund Sales Tax in 2009, to be disbursed for lawsuits awarded against the County. The account must maintain a balance of \$60,000.

Ambulance Service Fund Sales Tax – accounts for the 1/4% county sales tax collected and disbursed for maintenance and operation of the county ambulance services.

Ambulance Run Fund Sales Tax – accounts for the 1/4% county sales tax collected and disbursed for maintenance and operation of the county ambulance services.

E-911-5 – accounts for monies received from telephone companies to maintain an emergency telephone system.

Emergency Management SLA – accounts for federal funds for the purpose of the County's emergency management program.

Court Clerk Cimarex Settlement – accounts for the collection from a donation to be disbursed for maintenance and operations of the Caddo County Court System.

**CADDO COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

County Farm Lease – accounts for the collection of a lease-rental from county-owned property and disbursed for maintenance of the property.

Local Environmental Planning Commission – accounts for federal funds collected and disbursed for environmental control.

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

Civil Emergency – accounts for funds received from state and local governments to be disbursed for civil emergency purposes.

Court Clerk Oklahoma Bar Foundation 2013 Grant – accounts for funds received from the Oklahoma Bar Foundation and disbursed for court room renovations.

Veterans Statue – accounts for donations received to restore and repair the veteran’s memorial statue.

Reward Fund – accounts for the monies collected and disbursed to citizens involved in the reporting of littering offenses.

Washita River Bridge Project – accounts for funds received from Delaware Nation and expended to repair the Washita River Bridge.

Fair Board Awards and Donations – accounts for donations received for the disbursement of supplying awards for the free fair.

JAG 2015 Grant - Sheriff – accounts for the collection of grant monies to be distributed by the Sheriff’s office.

Special Response Team Donations – accounts for donations received for the disbursement of supplying the Special Response Team.

Sheriff Donations – accounts for donations received for the disbursement of maintaining Sheriff canines.

Apache Nutrition Center Building – accounts for reimbursements from the Association of County Commissioners to be disbursed for hail damage.

Drug Court – accounts for monies collected from the Oklahoma Department of Mental Health and Substance Abuse Services and is disbursed for salaries of the drug court administration.

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

**CADDO COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Sheriff Canine Officer Donation – accounts for the collection of donations received to supply a canine officer for the Sheriff’s Department.

BIA Radio Tower – accounts for funds received from the Bureau of Indian Affairs for county road maintenance for Radio Tower Road.

Court Fund Payroll – accounts for monies received from the Court Clerk’s Court Fund for the disbursement of payroll to Court Fund employees.

BIA - Apache – accounts for funds received from the Bureau of Indian Affairs for two county bridges.

BIA - Wichita D-3 – accounts for funds received from the Bureau of Indian Affairs for county road maintenance.

BIA - Wichita D-1 – accounts for funds received from the Bureau of Indian Affairs for county road maintenance.

BIA - AP – 7 Bridges – accounts for funds received from the Bureau of Indian Affairs for District 3 bridges.

BIA - Oak Cliff – accounts for funds received from the Bureau of Indian Affairs for county road improvements.

BIA - Windmill/Stecker Roads – accounts for funds received from the Bureau of Indian Affairs for county road maintenance for Windmill/Stecker Roads.

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

**CADDO COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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 in the individual visual inspection of all taxable property within the county at least once each four (4) years."

**CADDO COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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 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.

**CADDO COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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 March 6, 2018

Caddo County voters approved a continuation of a one-half of one percent (1/2%) sales tax effective March 6, 2018, with a change in distribution among various entities. This sales tax is accounted for within the following sales tax funds and was established for the operations of said funds: County General Fund 33%; OSU Extension Sales Tax 9%; Free Fair and Livestock Sales Tax 6%; Township Fair Sales Tax 6%; Capital Improvements Sales Tax 9%; Sheriff Sales Tax 11%; Rural Fire Sales Tax 12%; Health Sales Tax 1.5%; 8 Senior Citizen Sales Tax 11% (Anadarko, Apache, Binger, Carnegie, Cement, Cyril, Fort Cobb, and Hinton); and Fairground/Facilities Sales Tax 1.5%.

Sales Tax of July 1, 2017

Caddo County voters approved a continuation of a one-quarter of one percent (1/4%) sales tax, effective July 1, 2017 for the duration of 5 years, expiring June 30, 2022 for the sole purpose of acquiring, continuing, equipping, repairing, renovating, operating, maintaining, and advancing ground ambulance services. These funds are accounted for in the Ambulance Service Fund Sales Tax, the Ambulance Run Fund Sales Tax, and the Emergency Reserve Fund Sales Tax funds.

Sales Tax of August 11, 2009

On August 11, 2009, Caddo County voters approved a three-quarter of one percent (3/4%) sales tax, effective January 1, 2010 pledged toward the retirement of indebtedness incurred therefore: payment of operations and maintenance expenses related thereto; and to be used specifically for the sole purpose for the renovation, expansion, construction, and equipping the Caddo County Detention Facility, Courthouse Improvements, including additional space in the courthouse to provide a 911 dispatch center, with \$200,000 of bond proceeds to go toward the construction of a new Oklahoma State University Center for Caddo County, and operating and maintaining the Caddo County Detention Facility, county-wide dispatch center, and other public safety expenses. The Caddo County Governmental Building Authority issued \$17,170,000 Sales Tax Revenue Bonds to pay for the construction and three-eighths of one percent (3/8%) shall have a limited duration of thirty (30) years or until the principle and interest on the indebtedness is paid in full. The remaining portion 3/8% will continue until repealed by a majority of Caddo County electors. Sales Tax collections are apportioned as follows and accounted for in the following funds:

50% of 100% will go to the Caddo County Governmental Building Authority Capital Improvement Bond which is pledged toward the retirement of the indebtedness incurred. This

**CADDO COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

portion is accounted for in the Sales Tax .75 fund. The other 50% will go to the Caddo County Governmental Building Authority Gross Revenue Operations and Expenses Maintenance and Operations for distribution, based on the Estimate of Needs approved by the Excise Board, to the 3/8 911 Sales Tax fund and the 3/8 Sheriff Sales Tax fund.

E. Tax Abatements

The County is subject to ad valorem tax abatements granted by the State of Oklahoma in accordance with the Oklahoma Constitution, Article 10 Section 6B for qualifying manufacturing concern—ad valorem tax exemption.

Under this program, a five-year ad valorem tax exemption exempts all real and personal property that is necessary for the manufacturing of a product and facilities engaged in research and development which meet the requirements set by the Oklahoma Constitution and statutes. Under Title 68 O.S. § 2902, in exchange for the five-year exemption, qualifying manufacturing concerns must meet certain minimum investment requirements for construction, acquisition, or expansion of a manufacturing facility. In addition, there are general minimum payroll requirements that must be met and the qualifying manufacturing concern must offer basic health benefit plans to all full-time employees within 180 days of employment.

The County had \$96,511 of ad valorem taxes abated under this program for the fiscal year ended June 30, 2018.

The State has an Ad Valorem Reimbursement Fund in accordance with Title 62 O.S. § 193 that is used to reimburse the County for the loss of revenue. Monies apportioned to this fund by the State also may be transferred to other state funds or otherwise expended as directed by the Legislature. In the event monies apportioned to the Fund are insufficient to pay all claims for reimbursement, claims for reimbursement for loss of revenue due to manufacturing exemptions of ad valorem taxes shall be paid first, and any remaining funds shall be distributed proportionally among the counties making claims for reimbursement for loss of revenue for school district exemptions.

F. Interfund Transfers

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

- \$42,145 was transferred from the County Highway Fund to BIA-Wichita D-3 fund to loan money for the purchase of an unforeseen volume of materials needed for road and bridge projects which will be reimbursed to the County by the BIA and transferred back into the County Highway Fund as approved by BOCC Resolution.
- \$19,206 was transferred from the County Bridge and Road Improvements fund to BIA-Wichita D-1 fund to loan money for the purchase of an unforeseen volume of materials needed for road and bridge projects which will be reimbursed to the County by the BIA and transferred back to the County Bridge and Road Improvement fund as approved by BOCC Resolution.
- A total of \$418,310 was transferred from the Emergency Transportation Revolving fund (a Trust and Agency fund) to the following funds as approved by BOCC Resolution:

**CADDO COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

- \$310,000 was transferred to the BIA-Wichita D-3 fund to loan funds for road and bridge projects.
 - \$108,310 was transferred to BIA-Wichita D-1 fund to loan funds for road projects and bridge projects.
- \$376 was transferred from Excess Resale (a trust and agency fund) to Resale Property fund in accordance with 68 O.S. § 3131C.
- \$64,905 was transferred from the E-911 Association of South Central Oklahoma Governments fund to the E-911 Wireless fund for the establishment of renaming and designating a new fund as approved by BOCC Resolution.
- \$705,790 was transferred from the Sales Tax .75 fund to the following funds as approved by BOCC Resolution:
 - \$223,260 was transferred to 3/8 911 Sales Tax for 50% fund of previous years budgeted money.
 - \$482,530 was transferred to 3/8 Sheriff Sales Tax for 50% fund of previous years budgeted money.
- \$53,441 was transferred from the Washita River Bridge Project fund to the Emergency Transportation Revolving fund (a trust and agency fund) for the repayment of borrowed funds for a bridge project as approved by BOCC Resolution.
- \$18,310 was transferred from BIA-Wichita D-1 fund to the Emergency Transportation Revolving fund (a trust and agency fund) for the repayment of borrowed funds for road and bridge projects as approved by BOCC Resolution.

G. Restatement of Fund Balance

During the fiscal year, the County had a reclassification of funds; the Caddo County Governmental Building Authority funds are maintained separately by the Caddo County Governmental Building Authority and therefore are not considered county funds. These funds were reclassified as Trust and Agency funds.

Prior year ending balance, as reported	<u>\$8,609,177</u>
Funds reclassified as Trust and Agency Funds:	
Caddo County Governmental Building Authority	
Capital Improvement Bond	(700,341)
Caddo County Governmental Building Authority	
Operations and Expenses Renovation	
Maintenance and Operations	(1,964)
Caddo County Governmental Building Authority	
Gross Revenue Operations and Expenses	
Maintenance and Operations	(483,791)
Caddo County Governmental Building Authority	
Bond Interest Maintenance and Operations	<u>(93,095)</u>
Prior year ending balance, as restated	<u>\$7,329,986</u>

SUPPLEMENTARY INFORMATION

CADDO COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 985,727	\$ 988,604	\$ 2,877
Less: Prior Year Outstanding Warrants	(14,865)	(14,865)	-
Less: Prior Year Encumbrances	(30,073)	(30,017)	56
Beginning Cash Balances, Budgetary Basis	<u>940,789</u>	<u>943,722</u>	<u>2,933</u>
 Total Receipts, Budgetary Basis	 <u>1,616,788</u>	 <u>2,953,186</u>	 <u>1,336,398</u>
Total Expenditures, Budgetary Basis	<u>2,677,052</u>	<u>2,576,653</u>	<u>100,399</u>
 Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	 <u>\$ (119,475)</u>	 1,320,255	 <u>\$ 1,439,730</u>
 Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		30,301	
Add: Current Year Encumbrances		<u>62,797</u>	
Ending Cash Balance		<u>\$ 1,413,353</u>	

CADDO COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
COUNTY HEALTH DEPARTMENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 307,969	\$ 307,969	\$ -
Less: Prior Year Outstanding Warrants	(73)	(73)	-
Less: Prior Year Encumbrances	(42,110)	(10,014)	32,096
Beginning Cash Balances, Budgetary Basis	<u>265,786</u>	<u>297,882</u>	<u>32,096</u>
 Total Receipts, Budgetary Basis	 <u>186,024</u>	 <u>192,745</u>	 <u>6,721</u>
 Total Expenditures, Budgetary Basis	 <u>451,810</u>	 <u>213,689</u>	 <u>238,121</u>
 Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	 <u>\$ -</u>	 276,938	 <u>\$ 276,938</u>
 Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		36,552	
Add: Current Year Outstanding Warrants		<u>12,383</u>	
Ending Cash Balance		<u>\$ 325,873</u>	

**CADDO COUNTY, OKLAHOMA
NOTE TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

1. Budgetary Schedules

The Comparative Schedules of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis for the General Fund and the County Health Department Fund present comparisons of the legally adopted budget with actual data. The "actual" data, as presented in the comparison of budget and actual, will differ from the data as presented in the 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.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

CADDO COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. DEPARTMENT OF INTERIOR			
Direct Grant:			
Payments in Lieu of Taxes	15.226		\$ 23,563
Total U.S. Department of Interior			<u>23,563</u>
U.S. DEPARTMENT OF TRANSPORTATION			
Passed Through the Bureau of Indian Affairs			
Highway Planning and Construction	20.205		<u>3,081,266</u>
Total U.S. Department of Transportation			<u>3,081,266</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed Through the Oklahoma Department of Emergency Management:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR 4222/4247/4256/4274	393,774
Emergency Management Performance Grants	97.042		<u>10,292</u>
Total U.S. Department of Homeland Security			<u>404,066</u>
Total Expenditures of Federal Awards			<u>\$ 3,508,895</u>

CADDO COUNTY, OKLAHOMA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of Caddo County, and is presented on the *cash basis of accounting*. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance.

Indirect Cost Rate

Caddo County has elected to not use the 10 percent de minimis cost rate allowed for by 2 CFR§ 200.414(f).

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
CADDO 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 Caddo County, Oklahoma, as of and for the year ended June 30, 2018, and the related notes to the financial statement, which collectively comprises Caddo County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated May 27, 2020.

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, 2018, 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 Caddo 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 Caddo County's internal control. Accordingly, we do not express an opinion on the effectiveness of Caddo 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 questioned costs that we consider to be material weaknesses: 2018-001, 2018-003, 2018-005, and 2018-021.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Caddo 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2018-005.

Caddo County's Response to Findings

Caddo County's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Caddo 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 27, 2020

**Independent Auditor's Report on Compliance for Each Major Federal Program
and on Internal Control Over Compliance Required by
the Uniform Guidance**

TO THE OFFICERS OF
CADDO COUNTY, OKLAHOMA

Report on Compliance for Each Major Federal Program

We have audited the compliance of Caddo County, Oklahoma, with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Caddo County's major federal program for the year ended June 30, 2018. Caddo County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Caddo County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Caddo County's compliance.

Basis for Qualified Opinion on CFDA 20.205 - Highway Planning and Construction

As described in Findings 2018-030 and 2018-031 in the accompanying schedule of findings and questioned costs, Caddo County did not comply with requirements regarding the following:



Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2018-030	20.205	Highway Planning and Construction	Activities Allowed or Unallowed
2018-030	20.205	Highway Planning and Construction	Allowable Costs/Cost Principles
2018-031	20.205	Highway Planning and Construction	Matching
2018-030	20.205	Highway Planning and Construction	Period of Performance
2018-030	20.205	Highway Planning and Construction	Procurement, Suspension and Debarment
2018-030	20.205	Highway Planning and Construction	Reporting

Compliance with such requirements is necessary, in our opinion, for Caddo County to comply with the requirements applicable to that program.

Qualified Opinion on CFDA 20.205 - Highway Planning and Construction

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Caddo County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA 20.205 - Highway Planning and Construction for the year ended June 30, 2018.

Other Matters

Caddo County's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Caddo County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Caddo County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Caddo County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Caddo County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2018-014 and 2018-015 that we consider to be material weaknesses.

Caddo County's Response to Findings

Caddo County's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Caddo County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. This report is also a public document pursuant to the Oklahoma Open Records Act (51 O.S., section 24A.1 et seq.), and shall be open to any person for inspection and copying.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

May 27, 2020

CADDO COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

SECTION 1—Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:..... Adverse as to GAAP; unmodified as to statutory presentation

Internal control over financial reporting:

- Material weakness(es) identified?..... Yes
- Significant deficiency(ies) identified? None reported

Noncompliance material to financial statements noted?..... Yes

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?..... Yes
- Significant deficiency(ies) identified? None reported

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

Any audit findings disclosed that are required to be reported
in accordance with 2 CFR § 200.516(a) of the Uniform Guidance? Yes

Identification of Major Programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between
Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?..... No

**CADDO COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

SECTION 2—Findings related to the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Finding 2018-001 – Lack of County-Wide Controls and Information Systems (Repeat Finding 2009-008, 2010-008, 2011-008, 2012-001, 2013-001, 2014-001, 2015-001, 2016-001, 2017-001)

Condition: Through the process of gaining an understanding of the County’s internal control structure the following weaknesses were noted:

- County-wide controls regarding Risk Assessment, Information and Communication, and Monitoring have not been designed.
- Upon review of the computer systems within the County Clerk’s office and County Treasurer’s office, it was noted that there does not appear to be adequate controls in place to safeguard data from unauthorized modification, loss, or disclosure. The specifics of the condition have been sanitized to protect the County pursuant to the provision of 51 O.S. § 24A.28.

Cause of Condition: Policies and procedures have not been designed and implemented to address risks of the County and to prevent unauthorized access to data.

Effect of Condition: This condition could compromise security for computers, computer programs, and data, and does not allow the County to function in the most effective manner possible. Additionally, without written documentation of the county-wide controls it is more difficult to retain organizational knowledge, communicate that knowledge to personnel, indicate what internal controls are present and monitor those controls.

Recommendation: The Oklahoma State Auditor & Inspector’s Office (OSAI) recommends that the County design and implement policies and procedures to document their internal control framework. This documentation should outline the importance of internal controls, the risk that the County has identified, the control activities established to address the risk, the steps taken to properly communicate pertinent information in a timely manner and the methodology to monitor 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. Further, OSAI recommends the County comply with best practices presented in the criteria. The specifics of the recommendation have been sanitized to protect the County pursuant to the provision of 51 O.S. § 24A.28.

Management Response:

Chairman of the Board of County Commissioners: The Board of County Commissioners will work towards assessing and identifying risks to design written county-wide controls.

County Treasurer: I have implemented procedures and controls to safeguard data.

County Clerk: I have implemented procedures and controls to safeguard data.

**CADDO COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

The GAO Standards – Section 1 – Fundamental Concepts of Internal 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.

Further, according to the standards of the Information Systems Audit and Control Association (CobiT, Deliver and Support Ds5), the need to maintain the integrity of information and protect IT assets requires a security management process. This process includes establishing and maintaining IT security roles and responsibilities, policies, standards, and procedures. Security management also includes performing security monitoring and periodic testing and implementing corrective actions for identified security weaknesses or incidents. Effective security management protects all IT assets to minimize the business impact of security vulnerabilities and incidents.

Finding 2018-003 – Lack of Internal Controls Over the Collection and Reconciling Processes (Repeat Finding 2009-003, 2010-003, 2011-003, 2013-003, 2014-003, 2015-003, 2016-003, 2017-003)

Condition: Upon inquiry and the observation of records, within the office of the County Treasurer, the following was noted:

**CADDO COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

- Independent oversight does not exist to support the review of the input of ad valorem tax levies into the software system to ensure accuracy.
- Independent oversight does not exist over the review and authorization of voided receipts.
- Documentation did not exist to support independent oversight or review of bank reconciliations for the Capital Improvements, State Withholdings, and Federal Withholdings bank accounts.

Further, monthly reconciliations were not performed between the County Clerk's appropriation ledger and the County Treasurer's general ledger.

Cause of Condition: Policies and procedures have not been designed and implemented over the collection and reconciliation processes to strengthen internal controls.

Effect of Condition: These conditions could result in unrecorded transactions, misstated financial reports, or misappropriation of funds which would not be detected in a timely manner.

Recommendation: OSAI recommends management be aware of these conditions and realize that duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective procedures lie in management's oversight of the office operations and a review of said operations while maintaining supporting documentation of designed and implemented internal controls. Further, OSAI recommends that the County Clerk reconcile the appropriation ledger to the County Treasurer's general ledger on a monthly basis.

Management Response:

County Treasurer: We will work to implement a review process over bank reconciliations, voided receipts, and the input of tax levies into the system. As of January 2019, monthly reconciliations are being performed between the offices of the County Treasurer and County Clerk.

County Clerk: As of January 2019, monthly reconciliations are being performed between the offices of the County Treasurer and County Clerk.

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.

**CADDO COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Finding 2018-005 – Lack of Internal Controls and Noncompliance Over the Disbursement and Payroll Process (Repeat Finding 2009-002, 2010-002, 2011-002, 2012-005, 2013-005, 2014-005, 2015-005, 2016-005, 2017-005)

Condition: Upon inquiry and observation of the payroll disbursement process, we noted the duties of processing payroll are not adequately segregated.

- The Payroll Clerk enrolls new hires, makes payroll changes, maintains personnel files, and prepares end of month payroll reports. In addition, there is no evidence of review of payroll changes or enrollments.
- Timesheets are not signed by all employee.

In addition, the audit of fifty-five (55) disbursements reflected the following:

- Forty-two (42) disbursements with the names of the County Clerk and the Purchasing Agent were preprinted on the purchase order and are initialed by the same person.
- Nine (9) disbursements were not properly encumbered in accordance with state statutes.
- One (1) disbursement's documentation was not dated.
- Three (3) disbursements were not supported by receiving report.
- One (1) disbursement was not signed by the Requisitioning Officer.
- One (1) disbursement did not have proper documentation.

Cause of Condition: Policies and procedures have not been designed and implemented with regards to segregation of duties and/or compensating controls of the payroll process. Additionally, policies and procedures have not been designed and implemented to ensure the County is in compliance with state statutes regarding the disbursement process.

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

Recommendation: OSAI recommends management be aware of these conditions and realize that duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective procedures lie in management's oversight of the office operations and a review of said operations while maintaining supporting documentation of designed and implemented internal controls. Further, OSAI recommends the County implement a system of internal controls over the disbursement process. Such controls should include ensuring that funds are encumbered prior to the receipt of goods and/or services, implementing a review process with adequate documentation to support the review, and implementing procedures to ensure authorized personnel requisition, receive, and approve cash disbursements in accordance with 19 O.S. § 1505.

Management Response:

Chairman of the Board of County Commissioners: The Board of County Commissioners will express to fellow County officials the importance of County funds being encumbered prior to the receipt of goods and/or services.

**CADDO COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

County Clerk: We are in the process of implementing review processes for payroll. We will also work toward having all time sheets signed by the employee and department head. We will also either remove the pre-printed names or have the person initial beside their pre-printed name on the purchase orders.

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.

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

Finding 2018-021 – Lack of Internal Controls Over the County Financial Statement

Condition: Caddo County has not designed and implemented internal controls to accurately present the County's financial statement. During the review and reconciliation of the financial statement as prepared by the County, we determined that the beginning cash balance was overstated \$1,384,871, and the ending cash balance was overstated \$1,556,662. The misstatement was due to the County reflecting the Caddo County Government Building Authority funds as County Funds; however, these funds are maintained separately by the Caddo County Governmental Building Authority. In addition, the Court Fund Payroll was not reflected as a County Fund on the County's financial statement. Further, the beginning balances

**CADDO COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

of the Capital Improvement Sales Tax fund and County General Fund did not reflect the prior year corrections made by the County Treasurer.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure that the County's financial statement is accurately presented.

Effect of Condition: This condition resulted in the County's financial statement being materially overstated.

Recommendation: OSAI recommend the County design and implement policies and procedures to ensure the financial statement is accurately presented.

Management Response:

Chairman of the Board of County Commissioners and the County Treasurer: The financial statements will be reviewed and checked for accuracy. As far as the Authority funds, after the fiscal year ended June 30, 2017 audit, we met with the Authority's Attorney and this condition has now been corrected.

Criteria: The County is required to present a financial statement for each fiscal year ended June 30. Title 19 O.S. § 171 states, in part, "Unless the county elects to prepare its financial statement in accordance with Generally Accepted Accounting Principles as prescribed by the Governmental Accounting Standards Board, the county shall present their financial statements in a regulatory basis of accounting."

The limitations of the auditor are described in the American Institute of Certified Public Accountants Clarified Statements on Auditing Standards AU-C § 210, which states, in part: "The concept of an independent audit requires that the auditor's role does not involve assuming management's responsibility for the preparation and fair presentation of the financial statements or assuming responsibility for the entity's related internal control and that the auditor has a reasonable expectation of obtaining the information necessary for the audit insofar as management is able to provide or procure it. Accordingly, the premise is fundamental to the conduct of an independent audit."

SECTION 3—Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance

Finding 2018-014 – Lack of County-Wide Controls Over Major Federal Programs – BIA (Repeat Finding 2013-014, 2014-014, 2015-014, 2017-014)

PASS-THROUGH GRANTOR: Bureau of Indian Affairs

FEDERAL AGENCY: U.S. Department of Transportation

CFDA NO: 20.205

FEDERAL PROGRAM NAME: Highway Planning and Construction

FEDERAL AWARD YEAR: 2018

CONTROL CATEGORY: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Matching, Level of Effort, Earmarking; Period of Performance of Federal Funds; Procurement and

**CADDO COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Suspension and Debarment; and Reporting.

QUESTIONED COSTS: \$-0-

Condition: 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 ensure the County complies with grant requirements.

Effect of Condition: This condition could result in noncompliance to grant requirements.

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

Management Response:

Board of County Commissioners District 1, 2, and 3: We will work to implement a risk assessment plan. We will implement controls to help make sure we comply with all grant requirements and that federal funds are expended in accordance with grant agreements and in a timely manner. We will ensure that employees have the current and correct compliance supplement to work from. Furthermore, we will work with the County Treasurer and County Clerk's office to ensure that all checks and balances are done correctly.

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.

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.

**CADDO COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Finding 2018-015 – Lack of Internal Controls Over Major Federal Programs – BIA (Repeat Finding 2013-015, 2014-015, 2015-015, 2017-015)

PASS-THROUGH GRANTOR: Bureau of Indian Affairs

FEDERAL AGENCY: U.S. Department of Transportation

CFDA NO: 20.205

FEDERAL PROGRAM NAME: Highway Planning and Construction

FEDERAL AWARD YEAR: 2018

CONTROL CATEGORY: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Matching, Level of Effort, Earmarking; Period of Performance of Federal Funds; Procurement and Suspension and Debarment; and Reporting.

QUESTIONED COSTS: \$-0-

Condition: During the process of documenting the County's internal controls regarding federal disbursements, we noted that Caddo County has not established procedures to ensure compliance with the following compliance requirements: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Matching, Level of Effort, Earmarking; Period of Performance of Federal Funds; Procurement and Suspension and Debarment; and Reporting.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure federal expenditures are made in accordance with federal compliance requirements.

Effect of Condition: This condition could result in noncompliance to grant requirements and could lead to a loss of federal funds to the County.

Recommendation: OSAI recommends the County gain an understanding of requirements for these programs and implement internal control procedures to ensure compliance with requirements.

Management Response:

Board of County Commissioners District 1, 2, and 3: The Board of County Commissioners will work with all County Officials to go over all grants and federal monies that Caddo County receives to ensure that proper internal controls are implemented.

Criteria: Title 2 *CFR* § 200.303(a) *Internal Controls* reads as follows:

The non-Federal entity must:

Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

**CADDO COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

Finding 2018-030 – Noncompliance with Compliance Requirements Over Federal Grant (Repeat Finding 2017-030)

PASS-THROUGH GRANTOR: Bureau of Indian Affairs

FEDERAL AGENCY: U.S. Department of Transportation

CFDA NO: 20.205

FEDERAL PROGRAM NAME: Highway Planning and Construction

FEDERAL AWARD YEAR: 2018

CONTROL CATEGORY: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Period of Performance of Federal Funds, Procurement and Suspension and Debarment, and Reporting

QUESTIONED COSTS: \$842,075

Condition: Of the twenty-four (24) expenditures tested, the following was noted:

- Two (2) purchase orders were not encumbered prior to the invoice.
- Two (2) invoices totaling \$461,732 could not be located.
- The County did not maintain documentation to verify that they reviewed whether vendors are suspended or debarred.
- Three (3) of the approved projects exceeded the bid amounts by \$380,343 in total, without approval from the Federal granting agency.
- There was no documentation to support compliance with project reporting requirements, as outlined within the cooperative agreement, that the County notified the Bureau of Indian Affairs and Tribe of bid opening dates and all pre-award conferences in writing.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure federal expenditures are made in accordance with compliance requirements.

Effect of Condition: This condition resulted in noncompliance with Federal Grant requirements.

Recommendation: OSAI recommends the County gain an understanding of the requirements for this program and implement internal controls to ensure compliance with these requirements.

Management Response:

Board of County Commissioners: The Board of County Commissioners is taking measures to ensure future compliance with all the compliance requirements of federal grants.

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

**CADDO COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Title 2 *CFR* § 200.303(a) *Internal Controls* reads as follows:

The non-federal entity must:

Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Title 2 *CFR* § 200.213 *Suspension and debarment*, reads as follows:

Non-federal entities are subject to the non-procurement debarment and suspension regulations implementing Executive Orders 12549 and 12689, 2 *CFR* part 180. These regulations restrict awards, subawards, and contracts with certain parties that are debarred, suspended, or otherwise excluded from or ineligible for participation in Federal assistance programs or activities.

Title 2 *CFR* § 200.318(a) *General procurement standards* reads as follows:

a) The Non-Federal entity must use its own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this part.

Finding 2018-031 - Noncompliance with Compliance Requirement G - Matching

PASS-THROUGH GRANTOR: Bureau of Indian Affairs

FEDERAL AGENCY: U.S. Department of Transportation

CFDA NO: 20.205

FEDERAL PROGRAM NAME: Highway Planning and Construction

FEDERAL AWARD YEAR: 2018

CONTROL CATEGORY: Matching, Level of Effort, Earmarking

QUESTIONED COSTS: \$843,984

Condition: It was noted that the County had matching requirements of \$1,250,000 for the approved projects and could only provide documentation for \$406,016 of matching funds. The County did not maintain any documentation for the remaining \$843,984 in required matching funds in accordance with grant agreements.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure matching funds are expended in accordance with compliance requirements.

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

Recommendation: OSAI recommends the County gain an understanding of the requirements for this program and implement internal controls to ensure compliance with these requirements. We further recommend that documentation for matching fund requirements be maintained.

CADDO COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Management Response:

Chairman Board of County Commissioners: The projects were completed in accordance with the grant agreements. The Board of County Commissioners will maintain documentation of all matching funds to comply with federal grant agreements. We are taking measures to ensure future compliance with all the compliance requirements of federal grants.

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

Title 2 *CFR § 200.303(a) Internal Controls* reads as follows:

The non-federal entity must:

Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Title 2 *CFR § 200.318 (a), General procurement standards*, reads as follows:

a) The Non-Federal entity must use its own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this part.
[....]

Title 2 *CFR § 200.84 Questioned Cost* reads as follows:

Questioned cost means a cost that is questioned by the auditor because of an audit finding:

- (a) Which resulted from a violation or possible violation of a statute, regulation, or the terms and conditions of a Federal award, including for fund used to match Federal funds;
- (b) Where the costs, at the time of the audit, are not supported by adequate documentation;
- or
- (c) Where the costs incurred appear unreasonable and do not reflect the actions a prudent person would take in the circumstances.

**CADDO COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

SECTION 4—This section contains certain matters not required to be reported in accordance with *Government Auditing Standards*. However, we believe these matters are significant enough to bring to management’s attention. We recommend that management consider these matters and take appropriate corrective action.

No matters were noted.

APPENDIX A

CORRECTIVE ACTION PLAN

(Prepared by County Management)

Board of County Commissioners

CADDO COUNTY COURTHOUSE

Post Office Box 1427 • Anadarko, Oklahoma 73005

Telephone: 405/247-3105

BENNY BOWLING

District I
LOOKEBA BARN
405/457-6373

RANDY McLEMORE

District II
ANADARKO BARN
405/247-5321

BRENT KINDER

District III
CARNEGIE BARN
580/654-2294

Corrective Action Plan in accordance with 2 CFR 200.511c for the fiscal year ended June 30, 2018

Finding No.	Title (Financial) or CFDA No. & Program Name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2018-001	County-Wide Controls and Information Systems	<p>The Board of County Commissioners will work with all County Officials to assess and identify risks for the purpose of designing written county-wide controls.</p> <p>The County Clerk has implemented procedures and controls to safeguard data.</p> <p>The County Treasurer has implemented procedures and controls to safeguard data.</p>	7-1-2020	<p>Randy McLemore, BOCC Chairman</p> <p>Rhonda Johnson, County Clerk</p> <p>Regina Moser, County Treasurer</p>
2018-003	Lack of Internal Controls Over the Collection and Reconciliation Processes	<p>The County Treasurer will work to implement a review process over bank reconciliations, voided receipts, and the input of tax levies into the system. As of January 2019, monthly reconciliations are being performed between the offices of the County Treasurer and County Clerk.</p> <p>As of January 2019, monthly reconciliations are being performed between the offices of the County Treasurer and County Clerk.</p>	<p>7-1-2020</p> <p>1-1-2019</p> <p>1-1-2019</p>	<p>Regina Moser, County Treasurer</p> <p>Rhonda Johnson, County Clerk</p>

**CADDO COUNTY
CORRECTIVE ACTION PLAN
FYE JUNE 30, 2018**

Finding No.	Title (Financial) or CFDA No. & Program Name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2018-005	Lack of Internal Controls and Noncompliance Over the Disbursement and Payroll Processes	<p>The Board of County Commissioners will express to fellow County officials the importance of County funds being encumbered prior to the receipt of goods and/or services.</p> <p>The County Clerk's office in the process of implementing review processes for payroll. We will also work toward having all time sheets signed by the employee and department head. We have implemented controls over the pre-printed signatures on purchase orders.</p>	7-1-2020	<p>Randy McLemore, BOCC Chairman</p> <p>Rhonda Johnson, County Clerk</p>
2018-021	Lack of Internal Controls Over the County Financial Statement	After the fiscal year ended June 30, 2017 audit, we met with the Authority attorney and this condition has been corrected.	7-1-2020	Randy McLemore, BOCC Chairman
2018-014	20.205 Highway Planning and Construction	The Board of County Commissioners will work to implement a risk assessment plan. We will implement controls to help make sure we comply with all grant requirements and that federal funds are expended in accordance with grant agreements and in a timely manner. We will ensure that employees have the current and correct compliance supplement to work from. Furthermore, we will work with the County Treasurer and County Clerk's office to ensure that all checks and balances are done correctly.	7-1-2020	Randy McLemore, BOCC Chairman
2018-015	20.205 Highway Planning and Construction	The Board of County Commissioners will work with all County Officials to go over all grants and federal monies that Caddo County receives to ensure that proper internal controls are implemented.	7-1-2020	Randy McLemore, BOCC Chairman
2018-030	20.205 Highway Planning and Construction	The Board of County Commissioners has taken measures to ensure future compliance with the all procurement requirements of federal grants.	7-1-2020	Randy McLemore, BOCC Chairman
2018-031	20.205 Highway Planning and Construction	The Board of County Commissioners has taking measures to ensure future compliance with the all procurement requirements of federal grants.	7-1-2020	Randy McLemore, BOCC Chairman

APPENDIX B

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

(Prepared by County Management

Board of County Commissioners

CADDO COUNTY COURTHOUSE

Post Office Box 1427 • Anadarko, Oklahoma 73005

Telephone: 405/247-3105

BENNY BOWLING

District I
LOOKEBA BARN
405/457-6373

RANDY McLEMORE

District II
ANADARKO BARN
405/247-5321

BRENT KINDER

District III
CARNEGIE BARN
580/654-2294

Summary Schedule of Prior Year Audit Findings and Questioned Costs in accordance with 2 CFR 200.511b For the fiscal year ended June 30, 2018

FINANCIAL AUDIT FINDINGS

Finding 2009-008, 2010-008, 2011-008, 2012-001, 2013-001, 2014-001, 2015-001, 2016-001, 2017-001 **County-Wide Controls**

Finding Summary: County-wide controls regarding Risk Assessment and Monitoring have not been designed.
Status: No corrective action has been taken regarding county-wide controls. The finding over Risk Assessment and Monitoring has been recurring as we work on how to design and incorporate county-wide controls into our written County Handbook as well as perform risk assessment in quarter officer meetings.

Finding 2009-003, 2010-003, 2011-003, 2013-003, 2014-003, 2015-003, 2016-003, 2017-003 **Internal Controls Over the Collection and Reconciling Processes**

Finding Summary: Upon inquiry and the observation of records, within the office of the County Treasurer, the following was noted:

- Regarding the collection process, all employees work from the same cash drawer.
- Documentation did not exist to support a review of the input of ad valorem tax levies into the software system to ensure accuracy.
- The County Treasurer deleted a miscellaneous receipt from the system.
- Apportionment errors and/or transfers were not properly classified within the software system which is used to prepare the financial statement of the County.
- Although monthly reconciliations are performed between the County Treasurer's general ledger and County Clerk's appropriation ledger, the reconciliations were not accurate which caused a variance to carry forward for two fiscal years, in two different funds.

Status: Partially corrected. There was no instance of a miscellaneous receipt deleted from the system. However, no corrective action has been taken on other conditions. This has been recurring as the Treasurer works with limited funding and personnel to segregate duties and properly classify transfers within the software system that prepares the financial statement for the County. The Treasurer continues to work with the software vendor to ensure that transfers are properly classified and work with the County Clerk to ensure monthly reconciliations of the general ledger to the appropriation ledger are accurate and to implement the recommendations made by the Oklahoma State Auditor.

Finding 2010-005, 2011-005, 2012-004, 2015-004, 2016-004, 2017-004

Internal Controls and Noncompliance Over Sales Tax Apportionments and Transfers

Finding Summary: Upon inquiry and observation of the recordkeeping process of apportioning sales tax collections, the following was noted:

- The three-quarter percent (3/4%) county sales tax was not apportioned and appropriated in accordance with the sales tax ballot.
- The County transferred funds from the Caddo County Governmental Building Authority Gross Revenue Operations and Expenses Maintenance and Operations fund in the amount of \$1,276,870 to the 3/8 911 Sales Tax fund and the 3/8 Sheriff Sales Tax Fund in the amounts of \$159,000 and \$1,117,870, respectively. There are no statutory guidelines that allow for such transfers.

Status: No corrective action has been taken. This finding has been recurring since this process was how the County was advised by the Bond attorneys to handle the sales tax. The County will work to implement the recommendation noted by the Oklahoma State Auditor.

Finding 2010-002, 2011-002, 2012-005, 2015-005, 2015-005, 2016-005, 2017-005

Internal Controls and Noncompliance Over the Disbursement and Payroll Processes

Finding Summary: Upon inquiry and observation of the payroll disbursement process, we noted the duties of processing payroll are not adequately segregated. The Payroll Clerk enrolls new hires, makes payroll changes, maintains personnel files, and prepares end of month payroll reports.

In addition, the audit of seventy (70) disbursements, reflected the following:

- Four (4) were not supported by adequate documentation.
- Ten (10) were not authorized/approved by the County Clerk/Deputy.
- Nine (9) were not timely encumbered.

Status: No corrective action has been taken. With regards to the payroll disbursement process, this finding has been recurring since the County works with limited funds and personnel to segregate the duties within the office. We will work to improve segregation of duties regarding payroll. With regards to the audit of 70 disbursements, we will work to obtain adequate documentation to support disbursements, the County Clerk or deputy will properly authorize/approve disbursements, and we will work towards timely encumbrance as all required by state statutes.

Finding 2015-006, 2016-006, 2017-006

Internal Controls and Noncompliance Over Disbursement of County Sales Tax

Finding Summary: Upon inquiry and observation of the recordkeeping process of collecting and expending county sales tax, the following weaknesses were noted:

- The sales tax appropriations and expenditures were not discretely presented within the County General Fund. The County apportioned \$312,809 in sales tax collections to the County General Fund during the fiscal year ended June 30, 2017. Since the sales tax collections were commingled with other sources of revenue, we could neither determine how much sales tax was expended with other sources of revenue, we could neither determine how much sales tax was expended or determine if the sales tax was expended in accordance with the sales tax ballot.
- County sales tax collections for ambulance providers are paid to the four (4) emergency medical service districts based on the number of runs made each month. There is no documentation as to how sales tax is expended. Therefore, we were unable to determine if the sales tax was expended in accordance with the sales tax ballot.

Status: Partially corrected. Sales tax is no longer remitted directly to the emergency medical service districts. However, no corrective action has been taken regarding the discrete presentation of sales tax within the County General Fund. This finding has been recurring due to the County not advising the budget maker on how to breakout the sales tax with the County General Fund. The BOCC will work with the county budget maker and the Excise Board regarding the discrete presentation of sales tax within the County General Fund.

FEDERAL AUDIT FINDINGS

Finding 2013-014, 2014-014, 2015-014, 2017-014

County-Wide Controls Over Major Federal Programs – BIA

Pass-Through Grantor: Bureau of Indian Affairs

Federal Agency: U.S. Department of Transportation

CFDA No: 20.205

Federal Program Name: Highway Planning and Construction

Federal Award Year: 2017

Control Category: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort, Earmarking; Period of Performance of Federal Funds; Procurement and Suspension and Debarment; and Reporting

Questioned Costs: \$-0-

Finding Summary: County-wide controls regarding Risk Assessment and Monitoring have not been designed.

Status: No corrective action has been taken. This finding has been recurring as we are still working on how to design and incorporate county-wide controls into our written County Handbook as well as perform risk assessment in quarterly officer meetings. In addition, we plan to address a policy that all offices should follow concerning any federal award.

Finding 2013-015, 2014-015, 2015-015, 2017-015

Inadequate Internal Controls Over Major Federal Programs – BIA

PASS-THROUGH GRANTOR: Bureau of Indian Affairs

FEDERAL AGENCY: U.S. Department of Transportation

CFDA NO: 20.205

FEDERAL PROGRAM NAME: Highway Planning and Construction

FEDERAL AWARD NUMBER: A15AC00121, A16AC00056, and A16AC11154

FEDERAL AWARD YEAR: 2017

CONTROL CATEGORY: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort, Earmarking; Period of Performance of Federal Funds; Procurement and Suspension and Debarment; and Reporting

QUESTIONED COSTS: \$-0-

Finding Summary: During the process of documenting the County's internal controls regarding federal disbursements, we noted that Caddo County has not established procedures to ensure compliance with the following compliance requirements: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort, Earmarking; Period of Performance of Federal Funds; Procurement and Suspension and Debarment; and Reporting.

Status: No corrective action has been taken. This finding has been recurring as we are still working on how to design and incorporate county-wide controls into our written County Handbook as well as perform risk assessment in quarterly officer meetings. In addition, we plan to address a policy that all offices should follow concerning any federal award. This policy will address the compliance requirements and applicable internal control procedures for each award.

Finding 2013-017, 2014-017, 2015-017, 2017-017

Noncompliance with Reporting Over Federal Grant - BIA

PASS-THROUGH GRANTOR: Bureau of Indian Affairs

FEDERAL AGENCY: U.S. Department of Transportation

CFDA NO: 20.205

FEDERAL PROGRAM NAME: Highway Planning and Construction

FEDERAL AWARD NUMBER: A15AC00121, A16AC00056, and A16AC11154

FEDERAL AWARD YEAR: 2017

CONTROL CATEGORY: Reporting

QUESTIONED COSTS: \$-0-

Finding Summary: There was no documentation to support compliance with project reporting requirements as outlined within the cooperative agreement that the County notified the BIA and Tribe of bid opening dates and all pre-award conferences in writing.

Status: No corrective action has not been taken. This finding has been recurring due to the County no maintaining documentation that written notification was sent to the Bureau of Indian Affairs. The County will send the notification by email, that way documentation will be maintained as to the date the notification was sent. We responded in this same manner to this same finding for FYE 2018 which has been combined with finding number 2018-015.

Finding 2013-013, 2017-020

Inadequate Internal Controls Over Schedule of Expenditures of Federal Awards

PASS-THROUGH GRANTOR: Bureau of Indian Affairs

FEDERAL AGENCY: U.S. Department of Transportation

CFDA NO: 20.205

FEDERAL PROGRAM NAME: Highway Planning and Construction

FEDERAL AWARD NUMBER: A15AC00121, A16AC00056, and A16AC11154

FEDERAL AWARD YEAR: 2017

CONTROL CATEGORY: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort, Earmarking; Period of Performance of Federal Funds; Procurement and Suspension and Debarment; and Reporting

QUESTIONED COSTS: \$-0-

Finding Summary: During our audit, we identified federal programs that were not listed accurately on the County's Schedule of Expenditures of Federal Awards (SEFA). Federal expenditures were overstated by \$85,775, and federal receipts were understated by \$277,407.

Status: Corrective action has been taken. The Schedule of Expenditures of Federal Awards (SEFA) for FYE 2018 was not materially misstated.

Finding 2017-030

Noncompliance with Procurement and Suspension and Debarment Over Federal Grant

PASS-THROUGH GRANTOR: Bureau of Indian Affairs

FEDERAL AGENCY: U.S. Department of Transportation

CFDA NO: 20.205

FEDERAL PROGRAM NAME: Highway Planning and Construction

FEDERAL AWARD NUMBER: A15AC00121, A16AC00056, and A16AC11154

FEDERAL AWARD YEAR: 2017

CONTROL CATEGORY: Procurement and Suspension and Debarment

QUESTIONED COSTS: \$214,795

Finding Summary: In testing expenditures, the following was noted:

- The County does not review whether vendors are suspended or debarred.
- One (1) instance was noted where the project was not properly bid in accordance with statute.

Status: No corrective action has been taken. We plan to address a policy that all offices should follow concerning any federal award. This policy will address the compliance requirements including Procurement and Suspension and Debarment, and applicable internal control procedures for each award.



Cindy Byrd, CPA | State Auditor & Inspector

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