



COAL COUNTY

Financial Audit

For the fiscal year ended June 30, 2019

Cindy Byrd, CPA
State Auditor & Inspector

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

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

April 14, 2021

TO THE CITIZENS OF
COAL COUNTY, OKLAHOMA

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

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

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

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

Sincerely,

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

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



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

Board of County Commissioners

District 1 – Brock Jones
District 2 – Nick Lee
District 3 – Earnest “Buddy” Cottrell

County Assessor

Kandace Madden

County Clerk

Eugina Loudermilk

County Sheriff

Bryan Jump

County Treasurer

Gina McNutt

Court Clerk

LaDonna Flowers

District Attorney

Emily Redman

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..... 5

SUPPLEMENTARY INFORMATION

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

 Comparative Schedule of Expenditures—Budget and Actual—Budgetary Basis—Health Fund..... 14

 Note to Supplementary Information..... 15

INTERNAL CONTROL AND COMPLIANCE SECTION

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance With
Government Auditing Standards..... 16

Schedule of Findings and Responses..... 18

ITEMS OF INTEREST

Finding 2019-014 – Lack of Internal Controls and Noncompliance Over Public Competitive Bid Act:
During our review of bid documentation we noted the following public construction contracts were not properly bid in accordance with the Public Competitive Bidding Act of 1974 (PCBA):

- Spray foam for the County Fair Barn which the original bid awarded was \$38,000 and additional work was performed without BOCC approval for a total cost of \$75,145.
- New roof for the County Health Department was awarded to a vendor in the amount of \$64,500 after no bids were received. (Pg. 27)

FINANCIAL SECTION

Independent Auditor's Report

TO THE OFFICERS OF
COAL 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 Coal County, Oklahoma, as of and for the year ended June 30, 2019, and the related notes to the financial statement, which collectively comprise the County's basic financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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



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

As described in Note 1, the financial statement is prepared by Coal 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 Coal County as of June 30, 2019, or changes in financial position for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash balances for all county funds of Coal County, for the year ended June 30, 2019, in accordance with the basis of accounting described in Note 1.

Other Matters

Supplementary Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 12, 2021, on our consideration of Coal 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 Coal County's internal control over financial reporting and compliance.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

April 12, 2021

REGULATORY BASIS FINANCIAL STATEMENT

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

| | Beginning Cash Balances July 1, 2018 | Receipts Apportioned | Transfers In | Transfers Out | Disbursements | Ending Cash Balances June 30, 2019 |
|--|--|-------------------------|-------------------|-------------------|---------------------|--|
| Combining Information: | | | | | | |
| County General Fund | \$ 384,652 | \$ 1,274,532 | \$ 148,474 | \$ 125,000 | \$ 1,353,179 | \$ 329,479 |
| County Highway | 1,010,641 | 2,618,467 | - | - | 2,582,403 | 1,046,705 |
| Resale Property | 92,108 | 44,100 | - | - | 58,608 | 77,600 |
| County Health Department | 403,234 | 247,703 | - | - | 163,944 | 486,993 |
| County Sales Tax | 2,084,816 | 2,574,242 | 125,000 | 130,000 | 2,595,917 | 2,058,141 |
| EMS 522 - ST | - | 10,978 | - | - | - | 10,978 |
| Extension - ST | - | 5,489 | - | - | - | 5,489 |
| General Gov't - ST | - | 40,252 | - | - | - | 40,252 |
| Hospital - ST | - | 91,482 | - | - | - | 91,482 |
| Sheriff - ST | - | 21,956 | - | - | - | 21,956 |
| SW Mgmt - ST | - | 2,744 | - | - | - | 2,744 |
| Rural Fire - ST | - | 5,489 | - | - | - | 5,489 |
| Senior Citizens - ST | - | 4,574 | - | - | - | 4,574 |
| R-8 Solid Waste | 4,099 | 4,078 | - | - | - | 8,177 |
| CDBG Home/Water Grant | 600 | 6,250 | - | - | 6,250 | 600 |
| CDBG CIP Grant | 600 | - | - | 600 | - | - |
| Sheriff DARE | 4,140 | - | - | - | - | 4,140 |
| Sheriff Service Fee | 130,835 | 126,875 | - | - | 95,429 | 162,281 |
| Sheriff Trash Cop Grant | 3,092 | - | - | - | 1,874 | 1,218 |
| Treasurer Mortgage Certification Fee | 13,379 | 1,025 | - | - | - | 14,404 |
| County Clerk Lien Fee | 46,679 | 49,779 | - | - | 45,346 | 51,112 |
| JAI Juvenile Block Grant | 702 | - | - | 702 | - | - |
| Juvenile Donations | 464 | - | - | 464 | - | - |
| SODA HOME - OHFA | 3,233 | - | - | 3,233 | - | - |
| SO-5 Assessor | 8,922 | 6 | - | - | - | 8,928 |
| SO-6 Assessor | 18,947 | 2,595 | - | - | 199 | 21,343 |
| SODA Park and Fair Grounds | 2,008 | - | - | 2,008 | - | - |
| CDBG Library Grant | 1,177 | - | - | 1,177 | - | - |
| Use Tax | 221,486 | 390,972 | - | - | 224,511 | 387,947 |
| Coal County Library Project Fund | 139 | - | - | 139 | - | - |
| County Sinking | 45 | - | - | - | - | 45 |
| Hazard Mitigation | 2,500 | - | - | 2,500 | - | - |
| CDBG Health Clinic | 480 | - | - | 480 | - | - |
| Emergency Management | 41,312 | 19,775 | - | - | 25,213 | 35,874 |
| CCFFA Fire | 1,333 | - | - | - | - | 1,333 |
| Local Emergency Planning | 5,513 | - | - | - | 3,000 | 2,513 |
| Drug Court Money | 92,356 | 63,915 | - | - | 69,975 | 86,296 |
| MD4 Cash Donation Health | 5,358 | - | - | - | 4,064 | 1,294 |
| CBRIF 105 | 222,204 | 343,664 | - | - | 170,490 | 395,378 |
| 911 Phone Collections | 13,511 | 79,785 | 5,000 | - | 74,743 | 23,553 |
| Lodging Tax | 22,611 | 47 | - | - | 3,173 | 19,485 |
| County Reward Fund | - | 62 | - | - | - | 62 |
| OBF Donations for Court Areas | - | 6,996 | - | - | - | 6,996 |
| Combined Total - All County Funds | \$ 4,843,176 | \$ 8,037,832 | \$ 278,474 | \$ 266,303 | \$ 7,478,318 | \$ 5,414,861 |

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

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

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

B. Fund Accounting

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

During the fiscal year ended June 30, 2019, the County initiated the process of converting to a new chart of accounts; therefore, several fund names and descriptions change. However, these changes do not reflect a change in the sources and uses of revenues over the prior fiscal year.

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

Resale Property – accounts for the collection of interest and penalties on delinquent ad valorem tax collections. Disbursements are to offset the expense of collecting delinquent ad valorem taxes.

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

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

County Sales Tax – accounts for the apportionment, appropriation, and the disbursement of sales tax collections in accordance with the sales tax ballot.

EMS 522 - ST – accounts for the apportionment, appropriation, and the disbursement of sales tax collections in accordance with the sales tax ballot.

Extension - ST – accounts for the apportionment, appropriation, and the disbursement of sales tax collections in accordance with the sales tax ballot.

General Gov't - ST – accounts for the apportionment, appropriation, and the disbursement of sales tax collections in accordance with the sales tax ballot.

Hospital - ST – accounts for the apportionment, appropriation, and the disbursement of sales tax collections in accordance with the sales tax ballot.

Sheriff - ST – accounts for the apportionment, appropriation, and the disbursement of sales tax collections in accordance with the sales tax ballot.

SW Mgmt - ST – accounts for the apportionment, appropriation, and the disbursement of sales tax collections in accordance with the sales tax ballot.

Rural Fire - ST – accounts for the apportionment, appropriation, and the disbursement of sales tax collections in accordance with the sales tax ballot.

Senior Citizens - ST – accounts for the apportionment, appropriation, and the disbursement of sales tax collections in accordance with the sales tax ballot.

R-8 Solid Waste – accounts for trash collection fees received from the public and disbursement of funds for the disposal of household trash collected in the dumpsters located at the County's recycling center.

CDBG Home/Water Grant – accounts for federal grant monies received and disbursed for the establishment of a rural water department, as restricted by the grant agreement with the Oklahoma Department of Commerce.

CDBG CIP Grant – accounts for federal grant monies received and disbursed to create a County Improvement Plan, as restricted by the grant agreement with the Oklahoma Department of Commerce.

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

Sheriff DARE – accounts for donations received by the County Sheriff’s office to administer the Drug Abuse Resistance Education (DARE) program.

Sheriff Service Fee – accounts for revenue generated from process service fees and court fees. Proceeds are to be used for the lawful operation of the Sheriff’s office, jail expenses, and courthouse security as directed by state statutes.

Sheriff Trash Cop Grant – accounts for grant monies received and disbursed for the prevention and investigation of illegal trash dumping, as restricted by the grant agreement.

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

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

JAI Juvenile Block Grant – accounts for federal grant monies received and disbursed for the oversight of community service, as restricted by the grant agreement with the U.S. Department of Justice.

Juvenile Donations – accounts for donations used for the juvenile graduated sanctions.

SODA HOME - OHFA – accounts for federal grant monies received and disbursed for the construction of homes, as restricted by the grant agreement with the Oklahoma Housing Finance Authority and the Southern Oklahoma Development Association.

SO-5 Assessor – accounts for the collection of funding through the state for computer equipment.

SO-6 Assessor – accounts for the collection and expenditure of fees collected by the County Assessor as restricted by state statute for the visual inspection program.

SODA Park and Fair Grounds – accounts for state grant monies received and disbursed for the construction of a fair barn, as restricted by the grant agreement for the parks and fairgrounds.

CDBG Library Grant – accounts for grant monies received and disbursed as restricted by the grant agreement for the county library.

Use Tax – accounts for the receipt of use tax from the Oklahoma Tax Commission and disbursed for the general operation of the County.

Coal County Library Project Fund – accounts for state grant monies received and disbursed as restricted by the grant agreement for the county library.

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

County Sinking – accounts for debt service receipts derived generally from a special ad valorem tax levy and from interest earned on investments of cash not immediately required for debt service payments.

Hazard Mitigation – accounts for state and federal grant monies received and disbursed for the creation of a Hazard Mitigation Plan, as restricted by the grant agreement with the U.S. Department of Homeland Security.

CDBG Health Clinic – accounts for federal grant monies received and disbursed to purchase land and construct a new health clinic, as restricted by the grant agreement with the Oklahoma Department of Commerce.

Emergency Management – accounts for state and federal grant monies received and disbursed as restricted by the grant agreement.

CCFFA Fire – accounts for annual dues collected prior to 2008 for a fire association comprised of eight (8) fire departments county-wide and disbursed for training and fire department supplies.

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

Drug Court Money – accounts for federal grant monies, state monies, donations, and fees from participants and disbursed for the operation of the drug court.

MD4 Cash Donation Health – accounts for the collection of grant monies to be disbursed for the general operations of the county health department.

CBRIF 105 – accounts for state receipts and disbursements are for the purpose of maintaining bridges and roads.

911 Phone Collections – accounts for the collection of an emergency telephone fee collected by local service providers for the operations of the enhanced emergency telephone system.

Lodging Tax – accounts for the excise tax collected on lodging to be used for the promotion and development of tourism in Coal County.

County Reward Fund – accounts for the collection of fines issued by the County Sheriff's office for illegal trash dumping to be used for trash clean up and signs.

OBF Donations for Court Areas - accounts for donations received from the Oklahoma Bar Foundation to be used for updating the audio system and technology in the courtroom.

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

C. Basis of Accounting

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

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

D. Budget

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

E. Cash and Investments

For the purposes of financial reporting, “Ending Cash Balances, June 30” includes cash and cash equivalents and investments as allowed by statutes. The County pools the cash of its various funds in maintaining its bank accounts. However, cash applicable to a particular fund is readily 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).

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

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

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

2. Ad Valorem Tax

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

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

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

3. Other Information

A. Pension Plan

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

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

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

B. Other Post Employment Benefits (OPEB)

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

C. Contingent Liabilities

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

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

D. Sales Tax

On November 6, 2012 the voters of Coal County approved a permanent one percent (1%) sales tax effective April 1, 2013. This sales tax is for the operation, maintenance, and improvement of Coal County General Hospital and public acute health care purposes. These funds are accounted for within the County Sales Tax fund and the Hospital-ST fund.

On November 12, 2013 the voters of Coal County approved the renewal and making permanent this one percent (1%) sales tax, beginning February 14, 2015. Proceeds of the tax are designated as follows: County General Fund, 30%; County Sheriff and Security, 24%; OSU Extension and 4H offices, 6%; Capital Improvements on county buildings, 14%; Emergency Medical Services (Ambulance), 12%; County Senior Citizens Centers, 5%; Rural Fire Departments, 6%; and Solid Waste and Recycling programs, 3%. These funds are accounted for in the following funds: County Sales Tax, EMS 522-ST, Extension-ST, General Gov't-ST, Sheriff-ST, SW Mgmt-ST, Rural Fire-ST, and Senior Citizens-ST.

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

E. Interfund Transfers

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

- \$125,000 was transferred from the County Sales Tax fund to the County General Fund to meet requirements of appropriations in accordance with 68 O.S. § 3021.
- \$125,000 was transferred from the County General Fund to the County Sales Tax fund for repayment of the loan in accordance with 68 O.S. § 3021.
- \$12,171 was transferred from the B7 Sheriff Estray Animal fund (a trust and agency fund) to the County General Fund in accordance with 4 O.S. § 85.6.
- \$5,000 was transferred from the County Sales Tax fund to the 911 Phone Collections fund to meet requirements of appropriations in accordance with 68 O.S. § 3021.

The County Commissioners passed a resolution authorizing the transfer of residual balances of the following funds, totaling \$11,303, to the County General Fund to establish a uniform system of bookkeeping in accordance with 74 O.S. § 214:

- \$600 from the CDBG CIP Grant fund.
- \$702 from the JAI Juvenile Block Grant fund.
- \$464 from the Juvenile Donations fund.
- \$3,233 from the SODA HOME-OHFA fund.
- \$2,008 from the SODA Park and Fair Grounds fund.
- \$1,177 from the CDBG Library Grant fund.
- \$139 from the Coal County Library Project Fund.
- \$2,500 from the Hazard Mitigation fund.
- \$480 from the CDBG Health Clinic fund.

SUPPLEMENTARY INFORMATION

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

| | General Fund | | |
|-------------------------------------|--------------|--------------|------------|
| | Budget | Actual | Variance |
| County Sheriff | \$ 303,400 | \$ 303,159 | \$ 241 |
| County Treasurer | 86,600 | 86,237 | 363 |
| County Commissioners | 146,600 | 146,564 | 36 |
| County Clerk | 116,600 | 116,595 | 5 |
| Court Clerk | 119,589 | 118,919 | 670 |
| County Assessor | 102,800 | 100,755 | 2,045 |
| Revaluation of Real Property | 108,100 | 100,771 | 7,329 |
| General Government | 389,509 | 328,690 | 60,819 |
| Excise-Equalization Board | 3,500 | 2,575 | 925 |
| County Election Expense | 61,379 | 61,360 | 19 |
| County Audit Budget Account | 66,883 | - | 66,883 |
| Total Expenditures, Budgetary Basis | \$ 1,504,960 | \$ 1,365,625 | \$ 139,335 |

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

| | Health Fund | | |
|-------------------------------------|-------------|------------|------------|
| | Budget | Actual | Variance |
| Health and Welfare | \$ 601,609 | \$ 231,332 | \$ 370,277 |
| Provisions for Interest | - | - | - |
| Total Expenditures, Budgetary Basis | \$ 601,609 | \$ 231,332 | \$ 370,277 |

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

1. Budgetary Schedules

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

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

INTERNAL CONTROL AND COMPLIANCE SECTION

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

TO THE OFFICERS OF
COAL 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 Coal County, Oklahoma, as of and for the year ended June 30, 2019, and the related notes to the financial statement, which collectively comprises Coal County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated April 12, 2021.

Our report included an adverse opinion on the financial statement because the statement is prepared using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County for the year ended June 30, 2019, on the basis of accounting prescribed by Oklahoma state law, described in Note 1.

Internal Control Over Financial Reporting

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

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

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



We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses: 2019-001, 2019-002, 2019-003, 2019-004, 2019-005, 2019-007, and 2019-008.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency: 2019-006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Coal 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 responses as item 2019-007.

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

Coal County's Response to Findings

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

April 12, 2021

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

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

Finding 2019-001 - Lack of County-Wide Internal Controls (Repeat Finding – 2012-001, 2013-001, 2018-001)

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

Cause of Condition: Policies and procedures have not been designed and implemented to address Control Environment, Risk Assessment, Information and Communication, and Monitoring.

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

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

Management Response:

Chairman of the Board of County Commissioners: Staff meetings are now being held to address concerns and set internal controls.

County Clerk: In January 2020, the County implemented quarterly staff meetings to address these issues.

County Treasurer: I will try to work with others to get a plan to establish a system of internal control procedures.

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.

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

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

Definition of Internal Control

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

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

Components, Principles, and Attributes

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

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

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

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

Finding 2019-002 — Disaster Recovery Plan (Repeat Finding – 2010-002, 2012-002, 2013-002, 2018-002)

Condition: The following county offices do not have an up-to-date Disaster Recovery Plan:

- County Treasurer, County Clerk, County Sheriff, County Assessor, and Court Clerk.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure all officials properly update their Disaster Recovery Plan.

Effect of Condition: The failure to have a current, formal Disaster Recovery Plan could result in the County being unable to function in the event of a disaster. The lack of a formal plan for each area could cause significant problems in ensuring that county business could continue uninterrupted.

Recommendation: OSAI recommends that each of the County offices develop a Disaster Recovery Plan that addresses how critical information and systems within the office would be restored in the event of a disaster. The Disaster Recovery Plan should include the following:

- Current names, addresses, contact numbers of key county personnel and their roles and responsibilities of information services function.

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

- Listing of contracted service providers.
- Information on location of key resources, including back-up site for recovery operating system, application, data files, operating manuals and program/system/user/documentation.
- Alternative work locations once IT resources are available.

In addition, OSAI recommends that all Disaster Recovery Plans be updated yearly and distributed to key personnel. To safeguard the document in times of disaster, a copy should be stored in a secure off-site location.

Management Response:

County Treasurer: I will do my best to update my copy every year and make the proper changes that need to be made and distribute it to the right people.

County Clerk: I will make it a point to update the plan annually and as information contained in it changes. Copies will be distributed.

County Sheriff: My Disaster Recovery Plan will be updated according to the guidelines.

County Assessor: I missed a year updating my disaster plan. I realize this is very important and will make sure this is done in a timely manner each year.

Court Clerk: I have already updated my Disaster Recovery Plan, as suggested. The update was completed on March 24, 2020.

Criteria: An important aspect of internal controls is the safeguarding of assets which includes adequate Disaster Recovery Plans. Internal controls over safeguarding of assets constitute a process, affected by an entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention in a County being unable to function in the event of a disaster.

According to the standards of the Information Systems Audit and Control Association (CobiT Deliver and Support 4), information services function management should ensure that a written Disaster Recovery Plan is documented and contains the following:

- Guidelines on how to use the recovery plan;
- Emergency procedures to ensure the safety of all affected staff members;
- Roles and responsibilities of information services function, vendors providing recovery services, users of services and support administrative personnel;
- Listing of systems requiring alternatives (hardware, peripherals, software);
- Listing of highest to lowest priority applications, required recovery times and expected performance norms;
- Various recovery scenarios from minor to loss of total capability and response to each in sufficient detail for step by step execution;
- Training and/or awareness of individual and group roles in continuing plan;
- Listing of contracted service providers;

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

- Logistical information on location of key resources, including back-up site for recovery operating system, applications, data files, operating manuals, and program/system/user documentation;
- Current names, addresses, telephone numbers of key personnel;
- Business resumption alternatives for all users for establishing alternative work locations once IT services are available.

Finding 2019-003 — Lack of Internal Controls Over Reconciliation of Appropriation Ledger to General Ledger (Repeat Finding - 2010-010, 2012-008, 2013-008, 2018-003)

Condition: All funds on the County Clerk’s appropriation ledger are not reconciled to the County Treasurer’s general ledger.

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

Effect of Condition: This condition resulted in undetected errors. During the audit period, there were errors in fund balances due to miscommunication or no communication between the County Clerk and the County Treasurer. These errors could have been detected in a timely manner if the County Clerk’s appropriation ledger was reconciled to the County Treasurer’s general ledger on a monthly basis for all cash funds. In addition, this condition could result in unrecorded transactions, misstated financial reports, and misappropriation of funds.

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

Management Response:

County Treasurer: The County Clerk and I are working really hard to balance with each other. Being that the previous Treasurer and Clerk did not do it, we are finding differences and trying our best to reconcile.

County Clerk: In October 2018, we began reconciling accounts. We are still trying to complete this task. In May 2020, I started preparing form 4315 for the Treasurer to review.

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.

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

Finding 2019-004 — Lack of Segregation of Duties Over Receipting Process – County Treasurer (Repeat Finding – 2010-005, 2012-005, 2013-005, 2018-004)

Condition: The duties of issuing receipts, preparing deposits, and reconciling bank statements are not properly segregated. The County Treasurer has implemented several mitigating controls; however, after evaluating the mitigating controls that have been implemented, the following weaknesses still exist:

- The County Treasurer’s office did not maintain documentation to indicate voided receipts are being reviewed by someone other than the preparer.
- All employees work out of the same cash registers.
- Upon return from the bank, the amount encoded on the deposit receipt is not verified to the deposit slip by a second employee.

Cause of Condition: Although the County Treasurer has worked to implement internal controls over the collections process, policies and procedures have not been fully designed and implemented to ensure the safeguarding of funds and the accuracy of financial reporting.

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

Recommendation: OSAI recommends the County Treasurer implement the following compensating controls to mitigate the risks involved with a concentration of duties:

- Voided/deleted receipts should contain an explanation and reflect evidence of a review with initials and dates. The review should be performed by someone other than the one performing the void.
- The County Treasurer should establish a separate cash drawer for each employee receiving cash.
- The amounts encoded on the deposit receipt (cash and total deposit) should be agreed to deposit records by someone other than the person who delivered the deposit to the bank.

Management Response:

County Treasurer: I will start having someone review any voided or deleted item and make good notes to why this is being done and have another person sign it. Right now, I cannot afford to have a cash register for each employee as my funds are low, but will try to think of another way to do so where it won’t cost as much. We have already started having someone other than the person going to the bank to review the bank’s deposit slip that they give back to us and make sure it matches and have them sign off on it.

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.

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

Additionally, Principle 10 - Segregation of Duties states:

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

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

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

Finding 2019-005 - Lack of Segregation of Duties Over the Payroll Process (Repeat Finding – 2010-006, 2012-007, 2013-007, 2018-005)

Condition: Upon inquiry and observation of the County’s payroll process, we noted the following duties are not properly segregated:

- One person enrolls all new employees, maintains personnel files, prepares payroll, prints payroll warrants, and has custody of payroll warrants.

Cause of Condition: Policies and procedures have not been designed and implemented with regard to segregation of duties and/or compensating internal controls over the payroll process.

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

Recommendation: OSAI recommends management be aware of this condition and determine if duties can be properly segregated. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risks involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office and having management review and approval of accounting functions.

Management Response:

County Clerk: This office is in the process of cross-training to hopefully be able to segregate these duties.

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

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

Segregation of Duties

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

Additionally, Principle 10 - Segregation of Duties states:

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

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

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

Finding 2019-006 - Lack of Internal Controls Over Information Technology – County Treasurer (Repeat Finding – 2010-003, 2012-003, 2013-003, 2018-006)

Condition: Upon review of the computer systems within the office of the County Treasurer, it was noted that there does not appear to be adequate internal 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 prevent unauthorized access to data.

Effect of Condition: This condition could result in compromised security for computers, computer programs, and data.

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

Recommendation: 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:

County Treasurer: I will do my best to correct these issues. (The specifics of the management response have been sanitized to protect the County pursuant to the provision of 51 O.S. § 24A.28.)

Criteria: 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 2019-007 - Lack of Internal Controls and Noncompliance Over the Disbursement Process (Repeat Finding – 2005-004, 2010-011, 2012-021, 2013-020, 2018-007)

Condition: Our test of fifty-seven (57) disbursements reflected the following weaknesses:

- Two (2) disbursements were not charged to the proper account.
- One (1) disbursement was not supported by adequate documentation.
- Five (5) disbursements were not encumbered prior to ordering goods or services.

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

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

Recommendation: OSAI recommends management implement internal control procedures to ensure compliance with 19 O.S. § 1505. Purchase orders should be encumbered before goods and services are ordered and supported by adequate documentation. Additionally, all documentation should be reviewed for accuracy and charged to the proper account.

Management Response:

Chairman of the Board of County Commissioners: We are putting policies in place regarding the disbursement process.

County Clerk: More structured internal controls will be implemented to ensure compliance over the disbursement process.

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

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

Compliance Objectives

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

Effective internal controls require that management properly implement procedures to ensure that purchases are made in compliance with 19 O.S. § 1505.

Finding 2019-008 - Lack of Internal Controls Over the Presentation of Financial Statement

Condition: The County has not designed and implemented internal controls for the presentation of the County's financial statement. During the review and reconciliation of the financial statement as initially prepared by the County, the following misstatements were noted:

The receipts apportioned, transfers in, transfers out, disbursements and ending cash balance were reported as \$8,360,471, \$0, \$266,882, \$7,522,899, and \$5,413,865, respectively. A review of the records provided by the County Treasurer determined that the actual receipts apportioned, transfers in, transfers out, disbursements and ending cash balance were \$8,037,832, \$278,474, \$266,303, \$7,478,318, and \$5,414,861, respectively. This resulted in an overstatement of receipts apportioned, an understatement of transfers in, an overstatement transfers out and disbursements, and an understatement of ending cash balance in the amount of \$322,639, \$278,474, \$579, \$44,581, and \$996, respectively.

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

Effect of Condition: This condition resulted in inaccurate reporting of receipts apportioned, transfers, disbursements, and ending cash balances presented on the financial statement.

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

Management Response:

Chairman of the Board of County Commissioners: We are aware of this condition and will set policies over the financial statement.

County Treasurer: I will review all transfers to ensure they are properly presented on the financial statement.

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

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

Finding 2019-014 – Lack of Internal Controls and Noncompliance Over Public Competitive Bid Act

Condition: Public construction contracts should be let according to the Public Competitive Bidding Act of 1974 (PCBA). During our review of bid documentation, the following exceptions were noted:

- County Fair Barn spray foam bid:
 - The vendor was awarded the bid but did not submit and have a valid certification of liability insurance coverage at the time the bids were opened and awarded.
 - The vendor was paid a total of \$75,145 for worked done at the Fair Barn which exceeded the original bid by \$37,145. There was no documentation of any change orders submitted and approved by the BOCC and the cumulative increase in the original contract amount exceeded fifteen percent (15%).
 - The total worked performed exceeded \$50,000, therefore proper PCBA bid procedures were not followed.

Additionally, OSAI noted the BOCC solicited bids for a new roof for the Health Department building two (2) separate times and no bids were received. Since no bids were received, a County Commissioner contacted a local contractor to obtain a quote for the installation of the roof. A quote of \$64,500 was submitted by the vendor and approved by the BOCC.

Based on the documentation of the bid and quote for a new roof for the Health Department building, the BOCC awarded the contract to a construction company based on single quote received which does not comply with the Public Competitive Bidding Act of 1974 (PCBA).

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

Cause of Condition: Policies and procedures have not been designed and implemented to ensure bids for public construction are made in compliance with the PCBA.

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

Recommendation: OSAI recommends the County comply with Titles 61 O.S. §§ 103, 121, and 119.1 by implementing procedures to ensure that all applicable construction projects are awarded under the PCBA and that all requirements of the PCBA have been met.

Management Response:

Chairman of the Board of County Commissioners: We are putting policies in place to ensure this does not happen again.

County Clerk: The County is working to establish policies and procedures to ensure compliance with the PCBA.

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

Compliance Objectives

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

Title 61 O.S. § 103 (A) states:

A. Unless otherwise provided by law, all public construction contracts exceeding Fifty Thousand Dollars (\$50,000.00) shall be let and awarded to the lowest responsible bidder, by open competitive bidding after solicitation for sealed bids, in accordance with the provisions of the Public Competitive Bidding Act of 1974. No work shall be commenced until a written contract is executed and all required bonds and insurance have been provided by the contractor to the awarding public agency.

Title 61 O.S. § 121 (A & E) states:

A. Change orders or addenda to public construction contracts of One Million Dollars (\$1,000,000.00) or less shall not exceed a fifteen percent (15%) cumulative increase in the original contract amount.

E. If the awarding public agency has a governing body, all change orders shall be formally approved by the governing body of the awarding public agency and the reasons for approval recorded in the permanent records of the governing body. The governing body of

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

a municipality or technology center may delegate approval of change orders up to Forty Thousand Dollars (\$40,000.00) or ten percent (10%) of any contract, whichever is less, to the chief administrative officer of the municipality or technology center or their designee, with any approved change orders reported to the governing body at the next regularly scheduled meeting.

Title 61 O.S. § 119.1 states:

A. If no timely bid is received after bid notices have been published on any proposed public construction contract which does not exceed Fifty Thousand Dollars (\$50,000.00):

1. The governing body of a county, city, town or school district may direct its employees or agents to negotiate the contract with a prospective contractor; or
2. The state agency as defined in Section 202 of this title, shall request the State Construction Administrator of the Construction and Properties Division to negotiate a contract on its behalf.

B. The amount of a contract which may be awarded by the governing body pursuant to this section shall not exceed Fifty Thousand Dollars (\$50,000.00) and the work to be performed shall be as specified in the initial bidding documents. The contract shall be executed within six (6) months after the date initially set for opening of bids. The contract and contract procedure shall conform to all other applicable provisions of the Public Competitive Bidding Act of 1974.

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



Cindy Byrd, CPA | State Auditor & Inspector

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