



CRAIG COUNTY

Financial Report

For the fiscal year ended June 30, 2021

Cindy Byrd, CPA
State Auditor & Inspector

**CRAIG COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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.



July 26, 2023

TO THE CITIZENS OF
CRAIG COUNTY, OKLAHOMA

Transmitted herewith is the audit of Craig County, Oklahoma for the fiscal year ended June 30, 2021. The audit was conducted in accordance with 19 O.S. § 171.

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

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

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

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

Sincerely,

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

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

**CRAIG COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Board of County Commissioners

District 1 – Lowell Walker

District 2 – Hugh Gordon

District 3 – Dan Peetoom

County Assessor

Terri Lee

County Clerk

Tammy Malone

County Sheriff

Heath Winfrey

County Treasurer

Lisa Washam

Court Clerk

Debbie Mason

District Attorney

Matt Ballard

**CRAIG COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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**CRAIG COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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FINANCIAL SECTION



Independent Auditor's Report

TO THE OFFICERS OF
CRAIG COUNTY, OKLAHOMA

Report on the Financial Statement

We have audited the total—all county funds on the accompanying regulatory basis Statement of Receipts, Disbursements, and Changes in Cash Balances of Craig County, Oklahoma, as of and for the year ended June 30, 2021, 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 Craig 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 Craig County as of June 30, 2021, or changes in financial position for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the total receipts, disbursements, and changes in cash balances for all county funds of Craig County, as of and for the year ended June 30, 2021, in accordance with the basis of accounting described in Note 1.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the total of all county funds on the financial statement. The 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 is 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 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 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 July 24, 2023, on our consideration of Craig 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 Craig County's internal control over financial reporting and compliance.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

July 24, 2023

REGULATORY BASIS FINANCIAL STATEMENT

CRAIG COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Beginning Cash Balances July 1, 2020	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2021
County Funds:						
County General Fund	\$ 2,172,120	\$ 4,099,948	\$ 2	\$ -	\$ 3,777,707	\$ 2,494,363
County Highway Fund	1,544,526	2,465,694	-	-	2,629,437	1,380,783
Sheriff Drug Enforcement	44	-	-	-	-	44
County Health	559,641	291,611	-	-	179,431	671,821
County Sinking	-	2	-	2	-	-
Sales Tax Building Cash Account	322,866	1,959,221	-	-	1,518,877	763,210
Sheriff Service Fee	619,702	517,054	-	-	479,421	657,335
Resale Property	312,546	93,462	22,306	-	99,218	329,096
Assessor Revolving	22,044	2,190	-	-	2,557	21,677
County Clerk Lien Fee	10,004	2,996	-	-	7,029	5,971
Treasurer Mortgage Tax Certification Fee	17,388	2,795	-	-	1,075	19,108
Juvenile Transport	1,619	575	-	-	272	1,922
County Clerk Records Management and Preservation	11,441	30,963	-	-	14,097	28,307
Sheriff Drug Buy	2,069	-	-	-	-	2,069
Sheriff Jail Commissary Profit	33,049	105,283	-	-	106,045	32,287
Flood Plain Board	84	-	-	-	50	34
County Bridge and Road Improvement Fund	1,220,927	237,834	-	-	100,904	1,357,857
Craig County Emergency Management - 2	29,430	40,206	-	-	31,645	37,991
Sheriff Littering Reward	438	-	-	-	-	438
Local Emergency Planning Committee (LEPC)	2,030	4,928	-	-	2,280	4,678
Drug Court User Fees	19,625	42,115	-	-	48,646	13,094
Senior Companion	390	180,782	-	-	168,746	12,426
County Donations	12,877	21,410	-	-	26,093	8,194
American Resue Plan Act of 2021	-	1,373,459	-	-	-	1,373,459
Total - All County Funds	<u>\$ 6,914,860</u>	<u>\$ 11,472,528</u>	<u>\$ 22,308</u>	<u>\$ 2</u>	<u>\$ 9,193,530</u>	<u>\$ 9,216,164</u>

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

**CRAIG COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

1. Summary of Significant Accounting Policies

A. Reporting Entity

Craig 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 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.

Sheriff Drug Enforcement – accounts for the receipt of state grant monies and donations. Disbursements are for the operations of the County Sheriff's office in the fight of illegal drug possession and use.

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

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

**CRAIG COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Sales Tax Building Cash Account – accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax ballot.

Sheriff Service Fee – accounts for the collection and disbursement of sheriff process service fees, Court Clerk fees, and contract revenues related to the boarding of prisoners as restricted by state statute.

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

Assessor Revolving – accounts for revenues from fees charged by the County Assessor and disbursements as restricted by state statute.

County Clerk Lien Fee – accounts for revenues from fees charged by the County Clerk for filing liens. Disbursements are for any lawful expense of the County Clerk's office.

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

Juvenile Transport – accounts for state grant revenues and travel reimbursements from the State of Oklahoma for the transport of juvenile offenders. Disbursements are for the salaries of the transport officers.

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

Sheriff Drug Buy – accounts for monies set aside for law enforcement sting operations.

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

Flood Plain Board – accounts for the receipt of fees from flood plain permits obtained from mortgages. Disbursements are for lawful expenses of the flood plain office.

County Bridge and Road Improvement Fund – accounts for state funds to be used in the construction of roads and bridges throughout the County.

Craig County Emergency Management - 2 – accounts for the receipt and disbursement of funds from federal, state, and local governments for the operations of the emergency management office.

Sheriff Littering Reward – accounts for the monies collected from fines imposed for littering and disbursed to citizens involved in the reporting of littering offenses.

**CRAIG COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Local Emergency Planning Committee (LEPC) – accounts for revenues from a state grant to cover the cost of paperwork for hazardous materials that are moved within the County. Disbursements as restricted by grant agreement.

Drug Court User Fees – accounts for revenues generated from fines and costs assessed to individuals participating in the Drug Court program and contractual payments from the Oklahoma Department of Mental Health and Substance Abuse to be used to offset costs associated with running the program.

Senior Companion – accounts for federal grant monies received from the National Corporation for National and Community Service for the reimbursement of salary and travel related expenditures associated with the program as restricted by the grant agreement.

County Donations – accounts for donations received through the Board of County Commissioners and disbursed for the purpose designated at the time of the donation.

American Rescue Plan Act of 2021 – accounts for monies received from the United States Department of Treasury and disbursed for responding to the COVID-19 public health emergency and its negative economic impact, premium pay to eligible workers, the provision of government services to the extent of the reduction in revenue due to the COVID-19 public health emergency, and investments in water, sewer, and broadband infrastructure as restricted by federal requirements.

C. Basis of Accounting

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

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

**CRAIG COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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."

**CRAIG COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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; however, the County expects such amounts, if any, to be immaterial.

**CRAIG COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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 December 10, 2002

The voters of Craig County approved a one percent (1%) sales tax effective May 11, 2004. One-fourth of one percent (1/4%) sales tax shall be levied until repealed by a majority of the electors of Craig County in an election called for that purpose, the remaining three-fourths of one percent (3/4%) sales tax shall expire and cease to be collected on January 1, 2023. This sales tax was established to pay for acquiring, constructing, equipping, repairing, renovating, operating, and maintaining County courthouse and jail facilities of Craig County, Oklahoma; and to pay the principal and interest on indebtedness incurred on behalf of said County by the Craig County Governmental Building Authority for such purpose. These funds are accounted for in the Sales Tax Building Cash Account fund.

Sales Tax of May 11, 2010

The voters of Craig County approved to extend and renew the three-fourths of one percent (3/4%) sales tax, set to expire on January 1, 2023, until July 1, 2040. The purpose of the extended sales tax is to pay for acquiring, constructing, equipping, repairing, renovating, operating, and maintaining County community center facilities of Craig County, Oklahoma; and to pay the principal and interest on indebtedness incurred on behalf of said County by the Craig County Governmental Building Authority (Authority) for such purpose.

In the Craig County Governmental Building Authority Sales Tax Revenue Bonds Series 2010, dated September 15, 2010, the Authority incurred indebtedness in the aggregate original principal amount not to exceed \$3,700,000 for the acquiring, constructing, and equipping of county community center facilities and properties of Craig County, Oklahoma. Payments for this indebtedness will not begin until January 25, 2023, more than twelve (12) years after the debt was incurred, resulting in a total of \$13,080,000 in payments made between 2023 and 2040.

Sales Tax of June 26, 2018

The voters of Craig County approved to extend and renew the one percent (1%) sales tax set to expire on June 30, 2019. This extension is for a five (5) year period beginning July 1, 2019. The revenue of said sales tax is to be designated as follows: county roads in the amount of 68%; emergency medical (ambulance) services in the amount of 7%; law enforcement in the amount of 10%; and general county operations in the amount of 15%. These funds are accounted for in the County General Fund.

**CRAIG COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

E. Interfund Transfers

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

- \$2 was transferred from the County Sinking fund to the County General Fund as authorized by 62 O.S. § 445.
- \$22,306 was transferred from the Excess Resale fund (a trust and agency fund) to the Resale Property fund as authorized by 68 O.S. § 3131.

SUPPLEMENTARY INFORMATION

CRAIG COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—
BUDGETARY BASIS—GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	General Fund		
	Budget	Actual	Variance
County Sheriff	\$ 378,000	\$ 368,664	\$ 9,336
County Treasurer	102,550	102,448	102
County Commissioners	37,200	34,066	3,134
County Clerk	187,840	184,222	3,618
Court Clerk	128,640	128,640	-
County Assessor	61,300	58,800	2,500
Visual Inspection	247,764	171,194	76,570
General Government	202,094	202,088	6
Excise - Equalization Board	3,700	1,876	1,824
County Election Board	87,567	90,734	(3,167)
Insurance - Benefits	470,000	422,559	47,441
Emergency Management	77,790	75,901	1,889
Sheriff Sales Tax	225,383	182,924	42,459
OSU Extension Sales Tax	41,000	31,565	9,435
Juvenile Shelter Sales Tax	12,000	975	11,025
General Government Sales Tax	162,811	125,382	37,429
District 1 Highway Sales Tax	622,215	510,684	111,531
District 2 Highway Sales Tax	1,332,739	367,533	965,206
District 3 Highway Sales Tax	561,816	380,965	180,851
Ambulance Sales Tax	343,480	288,425	55,055
County Audit Budget	10,706	-	10,706
Free Fair Board	35,000	35,000	-
Total Expenditures, Budgetary Basis	\$ 5,331,595	\$ 3,764,645	\$ 1,566,950

CRAIG COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—
BUDGETARY BASIS—HEALTH FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Health Fund		
	Budget	Actual	Variance
Health and Welfare	\$ 745,435	\$ 247,788	\$ 497,647
Senior Companion	57,476	3,973	53,503
Total Expenditures, Budgetary Basis	\$ 802,911	\$ 251,761	\$ 551,150

**CRAIG COUNTY, OKLAHOMA
NOTE TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

1. Budgetary Schedules

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

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**CRAIG COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. DEPARTMENT OF JUSTICE			
Passed Through the Oklahoma District Attorneys Council:			
COVID-19 Coronavirus Emergency Supplemental Fund Program	16.034	CESF 2020	\$ 78,900
National Criminal History Improvement Program (NCHIP)	16.554	2020-RU-BX-K012	<u>17,433</u>
Total U.S. Department of Justice			<u>96,333</u>
U.S. DEPARTMENT OF TREASURY			
Passed Through the Oklahoma Department of Emergency Management:			
COVID-19 Coronavirus Relief Fund	21.019	Oklahoma CARES PPE	13,888
Passed Through Oklahoma Office and Management Enterprise Services:			
COVID-19 Coronavirus Relief Fund	21.019	4530-DR-OK; SA-2242	<u>526,426</u>
Total Coronavirus Relief Fund			<u>540,314</u>
Total U.S. Department of Treasury			<u>540,314</u>
ELECTION ASSISTANCE COMMISSION			
Passed Through the Oklahoma State Election Board:			
COVID-19 2018 HAVA Election Security Grants	90.404		<u>624</u>
Total Election Assistance Commission			<u>624</u>
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			
Direct Grant:			
Foster Grandparent/Senior Companion Cluster			
Senior Companion Program	94.016		<u>180,782</u>
Total Corporation for National and Community Service Cluster			<u>180,782</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-4438	30,057
Emergency Management Performance Grants	97.042	EMPG-2021	<u>25,000</u>
Total U.S. Department of Homeland Security			<u>55,057</u>
Total Expenditures of Federal Awards			<u>\$ 873,110</u>

**CRAIG COUNTY, OKLAHOMA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of Craig 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

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

Eligible Expenditures Incurred in the Prior Fiscal Year

On March 27, 2020, the President of the United States signed the Coronavirus Aid, Relief, and Economic Security (CARES) Act into law. Craig County received \$540,314 in federal relief funds. The County incurred \$257,430 in eligible expenditures in the prior year ending June 30, 2020. These eligible expenditures were from March 16, 2020 through June 30, 2020, and were accounted for in the County's June 30, 2020 financial statements. Therefore, expenditures on the schedule of expenditures of federal awards for Assistance Listing 21.019 – Coronavirus Relief Fund will include \$257,430 in eligible expenditures incurred in the fiscal year ending June 30, 2020, and all eligible expenditures that were incurred in the fiscal year ending June 30, 2021, totaling \$540,314.

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
CRAIG COUNTY, OKLAHOMA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the total—all county funds of the accompanying Statement of Receipts, Disbursements, and Changes in Cash Balances of Craig County, Oklahoma, as of and for the year ended June 30, 2021, and the related notes to the financial statement, which collectively comprise Craig County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated July 24, 2023.

Our report included an adverse opinion on the financial statement because the statement is prepared using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County as of and for the year ended June 30, 2021, 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 Craig County's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of Craig County's internal control. Accordingly, we do not express an opinion on the effectiveness of Craig 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 questioned costs, 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 questioned costs to be material weaknesses: 2021-001, 2021-004, 2021-006, and 2021-007.

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 deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies: 2021-002.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Craig County's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2021-006.

We noted certain matters regarding statutory compliance that we reported to the management of Craig County, which are included in Section 4 of the schedule of findings and questioned costs contained in this report.

Craig County's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

July 24, 2023



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

TO THE OFFICERS OF
CRAIG COUNTY, OKLAHOMA

Report on Compliance for Each Major Federal Program

We have audited the compliance of Craig County, Oklahoma, with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Craig County's major federal program for the year ended June 30, 2021. Craig 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 Craig 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 Craig County's compliance.

Opinion on Each Major Federal Program

In our opinion, Craig County, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of Craig 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 Craig 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 Craig 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 2021-015 and 2021-016 that we consider to be material weaknesses.

Craig County's Response to Findings

Craig 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. Craig 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.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

July 24, 2023

**CRAIG COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

SECTION 1—Summary of Auditor’s Results

Financial Statements

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

Internal control over financial reporting:

- Material weakness(es) identified?..... Yes
- Significant deficiency(ies) identified? Yes

Noncompliance material to the financial statement 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: Unmodified

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>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
21.019	Coronavirus Relief Fund

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

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

**CRAIG COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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 2021-001 - Lack of County-Wide Controls (Repeat Finding - 2008-002, 2010-002, 2012-001, 2013-001, 2014-001, 2017-001, 2018-001, 2019-001, 2020-001)

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

Cause of Condition: Policies and procedures have not been designed and implemented to address county-wide internal controls.

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

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

District 1 Commissioner/Chairman of the Board of County Commissioners: As Chairman, I will work with the other officials of Craig County to design and implement county-wide controls to identify and address Risk Assessment and Monitoring. These procedures are to be included in the county handbook. I will also call for quarterly meetings with all elected officials to discuss and take action regarding Risk Assessment and Monitoring.

District 2 Commissioner: I am here for the taxpayers and am willing to work with the other County Officials to implement the recommendations suggested by the State Auditor's Office.

District 3 Commissioner: I was not in office at this time. I will work with the other elected officials to design and implement a system of county-wide internal controls.

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

**CRAIG COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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

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

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

Finding 2021-002 - Lack of Internal Controls Over Information System Security – County Clerk (Repeat Finding - 2008-001, 2010-001, 2012-002, 2013-002, 2014-002, 2017-003, 2018-004, 2019-003, 2020-002)

Condition: Upon review of the computer systems within the County Clerk’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. § 24(A)(28).

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

Effect of Condition: These conditions could result in compromised security for the computers, computer programs, and data.

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. § 24(A)(28).

Management Response:

County Clerk: Due to the limited number of employees in my office, each employee must have the ability to perform every function, which requires sharing passwords to computers. In our software system, each employee has their own unique log-in identification and passwords, which are not shared. During the day, employees utilize the “remember me” option in our accounting system, however, it is turned off every evening. The server room is unlocked during the day but is monitored. It is locked in the evening. Our County Employee Handbook addresses computer usage.

**CRAIG COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Auditor Response: Data should be secured from unauthorized access.

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 2021-004 - Lack of Internal Controls and Material Misstatement - Required Supplemental Information

Condition: The County is responsible for preparing their annual financial statement, notes to the financial statements, and supplemental information. During the review and reconciliations of the Comparative Schedule of Expenditures for the General Fund, to the financial statement and underlying financial records, the following was noted:

- Budgeted expenditures reported by the County were materially overstated by \$433,489 and the budgeted revenues were also materially overstated by \$432,963.
- Actual expenditures reported by the County were overstated by \$50,617.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure the County's supplemental information is accurately presented as it relates to the financial statement and underlying financial records.

Effect of Condition: This condition resulted in budgeted revenues and expenditure being materially misstated on the County's supplemental information.

Recommendation: OSAI recommends the County design and implement policies and procedures to ensure the County's supplemental information is accurately presented.

Management Response:

Chairman of the Board of County Commissioners: I will work with the other elected officials to ensure the Required Supplemental Information is reviewed for accuracy prior to approval.

County Clerk: I will work with the other elected officials to design and implement policies and procedures to ensure the County's Required Supplemental Information is reviewed to determine they are accurately presented.

County Treasurer: I will work with the other elected officials to design and implement policies and procedures to ensure the County's Required Supplemental Information is accurately presented.

**CRAIG COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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

Data Processed into Quality Information

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

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

Title 19 O.S. § 171(D) states, "The report shall include but not be limited to the following supplemental information:

1. A combining schedule detailing by fund the information presented in the aggregate;
2. A comparison of the final adopted budget to the actual expenditures for all funds required by law to have an adopted budget; and
3. Notes to the budget to actual schedule.

Finding 2021-006 - Lack of Internal Controls and Noncompliance Over Disbursement Process (Repeat Finding - 2006-003, 2007-003, 2008-013, 2008-022, 2010-012, 2010-019, 2012-008 2012-010, 2013-006, 2013-008, 2014-005, 2014-007, 2017-007, 2018-009, 2019-007, 2020-006)

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

- The County does not have an adequate segregation of duties to ensure that duties assigned to individuals are done so in a manner that would not allow one individual to control both the recording function and the procedures relative to the processing of a transaction.
 - One individual, the Purchasing Agent, can generate a requisition/purchase order, encumber the funds, verify the purchase order upon receiving all supporting documentation, prepare and print warrants, distribute signed warrants, maintain warrant register, post warrants as paid in the system, and maintain appropriation ledger.
- The Board of County Commissioners' office secretary, who is not an employee of the County Clerk, has permissions within the County Clerk's purchase order system to perform the duties of the Purchasing Agent by encumbering purchase orders.

**CRAIG COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

- The signatures of the Purchasing Agent and the County Clerk are electronically embedded in the purchase order certifying the issuance and certification the encumbrance. However, these duties are often performed by individuals other than the Purchasing Agent and the County Clerk and there is no indication on the purchase order of who actually encumbered the funds and certified the encumbrance.
- Requisitions are not always signed by the requisitioning officer prior to the purchasing or receipt of goods or services.

A sample of fifty-eight (58) disbursements reflected the following:

- Eleven (11) disbursements totaling \$19,241 were not encumbered prior to receiving goods or services.
- One (1) disbursement for a cell phone bill in the amount of \$258 did not agree to the invoice as only the late payment portion was paid and not the entire bill that was due.
- One (1) disbursement in the amount of \$67 for the payoff of the District 3 phone was not supported by an invoice from the vendor.

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

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

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

OSAI also recommends the County implement a system of internal controls over the disbursement process. Such controls should include ensuring:

- Only the Purchasing Agent, or their assistant approved by the County Clerk, carry out the duties and responsibilities of the Purchasing Agent.
- Purchase orders should indicate by signature or initial the actual individual(s) who are issuing and certifying encumbrances.
- Requisitions are signed by an approved requisitioning officer prior to the purchase of any goods or services.
- All expenditures are supported by adequate documentation and are issued for the proper amount.
- Funds are encumbered prior to the receipt of goods and/or services.

**CRAIG COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Management Response:

District 1 Commissioner/Chairman of the Board of County Commissioners: I will do a better job of encumbering in a timely manner. Additionally, I will work with the other elected officials and our District Attorney to find a resolution to the County Commissioner Secretary assisting the County Purchasing Agent.

District 2 Commissioner: We will work on making sure funds are encumbered prior to the ordering or receiving goods or services.

District 3 Commissioner: I was not in office at this time. I will work with the other elected officials to design and implement a system of internal controls over the disbursement process and ensure we follow proper purchasing procedures. Additionally, I will work to ensure expenditures are supported by adequate documentation and are issued for the correct amount.

County Clerk: Due to the limited number of employees in my office, we have implemented review processes to ensure that although one employee is responsible for the encumbering process, it is reviewed and audited by another employee and initialed indicating review.

If an employee other than the Purchasing Agent encumbers the purchase order, they now initial beside the Purchasing Agent's name.

We are now requiring a requisitioning officer's signature prior to the purchasing of goods or services.

It is the responsibility of each office to ensure a purchase order is encumbered prior to the receipt of goods or services. The Purchasing Agent uses a red stamp that says "Purchasing Procedure Not Followed" when an office presents a purchase order for payment that was not encumbered properly.

My office will work to ensure expenditures are supported by adequate documentation and are issued for the proper amount.

During the Covid-19 Pandemic, we implemented a staff rotation and included the Commissioners' Secretary in the rotation due to the limited staff in my office. I will work with the County Commissioners and my District Attorney to find a resolution to continue with this process. I will work with our software provider to ensure that the Commissioners' Secretary can only encumber for the district barns.

County Sheriff: We will put procedures in place to ensure encumbrances are made for fuel purchases and commissary vendor payments in a timely manner or will issue blanket purchase orders.

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

Objectives of an Entity – Compliance Objectives

Management conducts activities in accordance with applicable laws and regulations. As part of specifying compliance objectives, the entity determines which laws and regulations

**CRAIG COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

apply to the entity. Management is expected to set objectives that incorporate these requirements.

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

Segregation of Duties

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

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.

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

Title 19 O.S. § 1500(C) states in part, “The county purchasing agent shall be authorized necessary assistants to carry out the duties and responsibilities provided by law and as may be delegated by the appointing authority. Provided, the employment of such assistants shall be upon the approval of the appointing authority....”.

Title 19 O.S. § 1501(A)(1) states in part, “The county purchasing agent shall, within the amount of the unencumbered balance, make all purchases that are paid from county funds for the various institutions, departments, officers, and employees of the county...”.

**CRAIG COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Finding 2021-007 - Lack of Internal Controls and Segregation of Duties Over Payroll (Repeat Finding - 2008-006, 2010-006, 2012-009, 2013-007, 2014-006, 2017-010, 2018-11, 2019-009, 2020-007)

Condition: Upon inquiry and observation of the County's payroll process, we noted the following:

- The County does not have an adequate segregation of duties to ensure that duties assigned to individuals are done so in a manner that would not allow one individual to control both the recording function and the procedures relative to the processing of a transaction.
 - One individual is responsible for enrolling new hires in the payroll system; maintaining personnel files, removing terminated employees from the payroll system; reviewing payroll claims; updating payroll information into the system; calculating withholdings and preparing withholding reports; preparing, printing, and distributing payroll warrants; and maintaining the warrant register.

Cause of Condition: Policies and procedures have not been designed and implemented over the payroll process.

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

Recommendation: OSAI recommends management be aware of these conditions and determine if duties can be properly segregated. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the 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: I am working on segregating the duties within payroll as much as possible. The Payroll Clerk is currently enrolling new employees. Payroll claims are reviewed and signed by the officers of each department. Employees sign payroll claims before issuance of warrants. Withholding reports, such as direct deposit, insurance, retirement, and any other withholdings, are being reviewed by someone other than the Payroll Clerk. Following written notice from the official terminating an employee, the employee is terminated in the system by a County Clerk employee other than the Payroll Clerk.

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.

**CRAIG COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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.

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

Finding 2021-015 - Lack of County-Wide Controls Over Major Federal Program - Coronavirus Relief Fund (Repeat Finding - 2018-015, 2020-015)

PASS-THROUGH GRANTOR: Oklahoma Department of Emergency Management; Oklahoma Office of Management and Enterprise Services

FEDERAL AGENCY: U.S. Department of Treasury

ASSISTANCE LISTING: 21.019

FEDERAL PROGRAM NAME: Coronavirus Relief Fund

FEDERAL AWARD NUMBER: Oklahoma CARES PPE; 4530-DR-OK; SA-2242

FEDERAL AWARD YEAR: 2020

CONTROL CATEGORY: Activities Allowed or Unallowed; Allowable Costs/Costs Principles; and Period of Performance

QUESTIONED COSTS: \$-0-

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

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

**CRAIG COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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

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

Management Response:

District 1 County Commissioner: I will work with the other elected officials to implement a system of internal controls to ensure compliance with grant requirements.

District 2 County Commissioner: We have worked on gaining an understanding of federal programs awarded to the County. We would like to be able to receive additional training on the preparation of the Schedule of Expenditures of Federal Awards. We are willing to work with the other County Officials to design and implement control procedures to ensure compliance with federal requirements.

District 3 County Commissioner: I was not in office at this time. I will work with the other elected officials to implement a system of internal controls to ensure compliance with grant requirements.

County Clerk: Each office is responsible to ensuring compliance with the federal programs they receive. I will work with the other elected officials to implement a system of internal controls to ensure compliance with grant requirements.

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.

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

Furthermore, 2 CFR § 200.303 Internal Controls (a) 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).

Finding 2021-016 - Lack of Internal Controls Over Major Federal Program – Coronavirus Relief Fund (Repeat Finding – 2018-016, 2020-016)

PASS-THROUGH GRANTOR: Oklahoma Department of Emergency Management; Oklahoma Office of Management and Enterprise Services

FEDERAL AGENCY: U.S. Department of Treasury

ASSISTANCE LISTING: 21.019

FEDERAL PROGRAM NAME: Coronavirus Relief Fund

FEDERAL AWARD NUMBER: Oklahoma CARES PPE; 4530-DR-OK; SA-2242

FEDERAL AWARD YEAR: 2020

CONTROL CATEGORY: Activities Allowed or Unallowed; Allowable Costs/Costs Principles; and Period of Performance

QUESTIONED COSTS: \$-0-

Condition: During the process of documenting the County’s internal controls regarding federal disbursements, we noted that Craig County has not established procedures to ensure compliance with the following compliance requirements: Activities Allowed or Unallowed; Allowable Costs/Costs Principles; and Period of Performance.

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 resulted in noncompliance with federal grant requirements and could lead to the loss of federal funds to the County.

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

**CRAIG COUNTY, OKLAHOMA
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Management Response:

District 1 County Commissioner: I will work with the other elected officials to implement a system of internal controls to ensure compliance with grant requirements.

District 2 County Commissioner: We have worked on gaining an understanding of federal programs awarded to the County. We would like to be able to receive additional training on federal grants. We are willing to work with the other County Officials to design and implement control procedures to ensure compliance with federal requirements.

District 3 County Commissioner: I was not in office at this time. I will work with the other elected officials to implement a system of internal controls to ensure compliance with grant requirements.

Criteria: 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).

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 Activities – The actions management establishes through policies and procedures to achieve objectives and respond to risks in the internal control system, which includes the entity’s information system.

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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.

Finding 2021-009 - Lack of Internal Controls and Noncompliance Over Daily Collections and Receipting Process in the County Sheriff’s Office (Repeat Finding)

Condition: Upon inquiry and observation of procedures, and testwork performed over Cash Bond processes and daily collections in the County Sheriff’s office the following was noted:

- Cash Bonds
 - The County does not have an adequate segregation of duties to ensure that duties assigned to individuals are done so in a manner that would not allow one individual to control both the recording function and the procedures relative to the processing of a transaction.
 - One individual has access to the cash bond box in the jail, retrieves the cash bonds from the jail, reconciles cash bonds to receipts, prepares official depository ticket, takes cash bond deposit to the County Treasurer, prepares official depository voucher.
 - There is no secondary review or reconciliation of cash bonds.
 - OSAI could not determine all cash bonds received were deposited with the County Treasurer and the Court Clerk due to the following:
 - The County Sheriff’s office did not maintain a log of all receipts issued for cash bonds.
 - Receipts are not maintained in a manner to ensure they are issued in sequential order and all are retained.
 - Per review of the County Treasurer’s Official Depository Voucher Register, which denotes the purpose of the official depository voucher, three (3) vouchers issued for cash bonds were not supported by cash bond receipts. The County Sheriff’s office was unable to provide the following receipts (01817, 01821, 01826).
- County Sheriff Daily Collections:
 - Receipts are not maintained in a manner to ensure they are issued in sequential order and that all are retained.
 - Deposits with the County Treasurer are not made on a daily basis.

Cause of Condition: Policies and procedures have not been designed and implemented for proper administration regarding the receiving and depositing of funds received in the County Sheriff’s office. Additionally, policies and procedures have not been designed and implemented regarding the retention of all cash bond records.

Effect of Condition: These conditions resulted in noncompliance with state statutes and could result in the misappropriation of funds. Without cash bond receipts, there is no way to determine that all cash bonds

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FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

received were deposited with the County and paid out to the Court Clerk or arresting agency as required by state statute.

Recommendation: OSAI recommends management be aware of these conditions and determine if duties can be properly segregated. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the 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.

Additionally, OSAI recommends the County Sheriff design and implement policies and procedures to ensure all cash bonds and daily collections are receipted and deposited on a daily basis. Additionally, documentation supporting the receipt, deposit and remittance of cash bonds and daily collections are retained.

Management Response:

County Sheriff: We will work to make sure duties are segregated to the best of our abilities and put reviews in place if segregation of duties is not possible. We will also work to ensure receipts are issued for all collection, all receipts are retained in sequential order, and deposits are made daily.

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

Accurate and timely recording of transactions

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

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.

Appropriate documentation of transactions and internal control

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

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

**CRAIG COUNTY, OKLAHOMA
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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, GAO Standards – Section 2 – Establishing an Effective Internal Control System – OV2.23 states in part:

Objectives of an Entity – Compliance Objectives

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

Title 19 O.S. § 682 states in part, “...It shall be the duty of each and every county officer, county board, county commission and all members and employees of either thereof, to deposit daily in the official depository designated in Section 681 of this title, all monies, checks, drafts, orders, vouchers, funds, rentals, penalties, costs, proceeds of sale of property, fees, fines, forfeitures and public charges of every kind received or collected by virtue or under color of office...”

Title 51 O.S. § 24(A)(4) states, “In addition to other records which are kept or maintained, every public body and public official has a specific duty to keep and maintain complete records of the receipt and expenditure of any public funds reflecting all financial and business transactions relating thereto, except that such records may be disposed of as provided by law.”

Finding 2021-010 - Lack of Internal Controls and Noncompliance Over Inmate Trust Fund Checking Account, County Sheriff Commissary, and County Sheriff Commissary Fund (Repeat Finding)

Condition: Upon inquiry, observation of procedures and records, and testwork performed, OSAI noted the following regarding the Inmate Trust Fund Checking Account, County Sheriff Commissary, and the County Sheriff Commissary Fund:

Inmate Trust Fund Checking Account:

- The County does not have an adequate segregation of duties to ensure that duties assigned to individuals are done so in a manner that would not allow one individual to control both the recording function and the procedures relative to the processing of a transaction.
 - One person maintains custody of both keys that are required to open the kiosks, accesses and balances the kiosk collections, receive and receipt monies in at lobby window, prepares deposit slips, updates inmates’ account balances with credits and deductions, issues and signs checks issued on the Inmate Trust Fund Checking Account, and performs bank reconciliation.

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- There are two (2) Inmate Trust Fund Checking Accounts. One established under the prior administrations (Account 1) and one established under the current administration (Account 2):
 - Bank Reconciliations
 - Account 1 –
 - Bank reconciliations are not being performed.
 - Outstanding check amounts cannot be substantiated.
 - Individual inmate balances cannot be identified.
 - Account 2 / Current Account –
 - Bank balances do not reconcile to ledger balances.
 - July 2021 collections of \$6,694 were used as a reconciling item on the June 2021 bank reconciliation as deposits in transit.
 - Bank reconciliations are not signed by the preparer and do not have an indication of review and approval by someone other than preparer.
 - Collections
 - Deposits are not being made daily.
 - Receipts are not provided to prisoners at book-in and to persons who pay in-person at the lobby window.
 - No mail log is kept for Inmate Trust Fund deposits received by mail.
 - Based on testwork performed on a sample of deposits the following was noted:
 - The deposit at the bank was short \$100 to the collections received on July 7, 2021. It appears a money order for \$100 was not presented in the deposit to the bank.
 - The \$398 deposit for February 10, 2021, could not be reconciled to collections due to the County Sheriff not being able to provide the Cash Drawer Activity Report for February 10, 2021, from the kiosk located in the jail book-in.
 - Expenditures
 - Expenditures are made from the Inmate Trust Fund Checking Account for purposes other than statutorily allowed.
 - One hundred thirteen (113) ACH payments, for a total of \$9,291 were made to an Inmate Trust Fund vendor.
 - Debit cards issued to inmates upon release are not logged or issued in any sequential order and there is no acknowledgement of receipt by inmate.
- The County could not provide a contract renewal for fiscal year 2021 for the Inmate Trust Fund and Commissary accounting system.
- The County Sheriff's office staff does not understand the County's responsibilities and liabilities regarding funds maintained in the Inmate Trust Fund accounting system as defined by the contract.
- There is a lack of controls, knowledge, and oversight over the Inmate Trust Fund Checking Account bookkeeping processes within the Inmate Trust Fund accounting system to ensure completeness and accuracy.
 - The Inmate Trust Fund accounting system generates a bank reconciliation using various "sub-accounts" and "funds" balances from within its system as reconciling items.

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However, there is no indication these reconciling items are verified to ensure they are truly pending payments or are balances for current inmates. There should be some indication that all items used in the reconciliation process are reviewed, explained, and resolution pursued monthly.

- It appears the County Sheriff's office has not received adequate training and information from the Inmate Trust Fund accounting system vendor.
- There is no log for tracking unclaimed money.

County Sheriff Commissary:

- The County Sheriff's office maintains on-site commissary for tobacco products.
- The County does not have an adequate segregation of duties to ensure that duties assigned to individuals are done so in a manner that would not allow one individual to control both the recording function and the procedures relative to the processing of a transaction.
 - One employee is responsible for ordering and purchasing goods for the commissary, receiving items ordered, deducting order amounts from inmate balances, distributing inventory, maintaining and updating inventory records, performing physical inventory count for commissary items, and transferring payment to the County Sheriff's Commissary Fund.

County Sheriff Commissary Fund:

- The County Sheriff is required to file a financial report for the County Sheriff Commissary Fund with the BOCC by January 15th of each year. The 2020 report was approved at the January 19, 2021 BOCC meeting. During the review of this report OSAI noted that the beginning and ending balances and collections and expenditures reported by the County Sheriff did not agree to the County Treasurer's beginning and ending balances and collections and expenditures. Additionally, there was no reconciliation presented to document the differences.

Reported Beginning Balance:	\$10,657
County Treasurer's Ledger Balance:	<u>\$28,576</u>
Beginning Balance understated by:	(\$17,919)
Reported Expenditures (Net of Adjustments):	\$79,280
County Treasurer's Expenditure Balance:	<u>\$84,815</u>
Expenditures overstated by:	(\$ 5,535)
Reported Collections:	\$77,030
County Treasurer's Collections Balance:	<u>\$92,053</u>
Collections understated by:	(\$15,023)
Reported Ending Balance:	\$10,202
County Treasurer's Ending Balance:	<u>\$37,609</u>
Ending Balance understated by:	(\$27,407)

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Cause of Condition: Policies and procedures have not been designed and implemented for proper administration regarding the Inmate Trust Fund Checking Account, the County Sheriff Commissary, and the County Sheriff Commissary Fund.

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

Recommendation: OSAI recommends that management be aware of these conditions and determine if duties can be properly segregated. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the 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.

OSAI further recommends the County Sheriff implement procedures to ensure:

- Bank reconciliations are performed on a monthly basis, reviewed for accuracy, and approved by someone other than the preparer.
- The individual inmates' trust fund balances are reconciled to the bank statements each month.
- All reconciling items and sub-accounts balances are defined and verified.
- Collections are deposited daily as required by 19 O.S. § 682.
- Receipts are provided to inmates at book-in and to individuals making in-person payments.
- A mail log is maintained for all mail in payments.
- Expenditures are made from the Inmate Trust Fund in accordance with 19 O.S. § 531(A).
- Contracts and contract renewals are approved by the BOCC yearly.
- The County understands its responsibilities and liabilities defined by the Inmate Trust accounting system contract.
- Employees receive additional training on the Inmate Trust Fund accounting system.
- A log for unclaimed property is maintained.
- Inventory records are maintained for all commissary items maintained on hand.
- Annual Commissary Fund reports reconcile to underlying financial records, are reviewed for accuracy, and are approved by someone other than the preparer prior to being filed with the BOCC.

Management Response:

County Sheriff: We have finally been able to close the old account upon direction of the District Attorney. Additionally, we will work to make sure duties are segregated to the best of our abilities and put reviews in place if segregation of duties is not possible.

The Inmate Trust Fund accounting system was a new system in fiscal year 2020 and we were learning the system in fiscal year 2021. We have received more training since then, but we are still in the process of working through some issues with the vendor and determining what the sub accounts within the system are.

**CRAIG COUNTY, OKLAHOMA
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FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Bank reconciliations were prepared monthly but due to the time it took to work through reconciling issues with the vendor it took a bit longer to reconcile than we would have liked. We will make sure bank reconciliations are reviewed for accuracy and approved by someone other than the preparer and individual inmates' trust fund balances and online payments are reconciled to the bank statements each month.

Currently deposits are being made on daily basis. We will look into how we can provide receipts at book-in and for in person payments as it appears our current system does not issue receipts through the system.

Unclaimed property is no longer an issue since we issue debit cards. Debit cards are logged in the system, and we should be able to provide a listing of all debt cards activated.

As for payments from the Inmate Trust Fund Checking Account not being made in accordance with state statutes, I will need to get with the Inmate Trust Fund vendor to determine why they can access the bank account and determine how to best resolve the issue.

We will work on doing a better job to ensure our Annual Commissary Fund Report reconciles to the County Treasurer and is reviewed and approved by someone other than the preparer.

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

Management of human capital

Effective management of an entity's workforce, its human capital, is essential to achieving results and an important part of internal control. Only when the right personnel for the job are on board and are provided the right training, tools, structure, incentives, and responsibilities is operational success possible. Management continually assesses the knowledge, skills, and ability needs of the entity so that the entity is able to obtain a workforce that has the required knowledge, skills, and abilities to achieve organizational goals. Training is aimed at developing and retaining employee knowledge, skills, and abilities to meet changing organizational needs. Management provides qualified and continuous supervision so that internal control objectives are achieved. Management designs a performance evaluation and feedback system, supplemented by an effective rewards system, to help employees understand the connection between their performance and the entity's success.

Establishment of review of performance measurers and indicators

Management establishes physical control to secure and safeguard vulnerable assets. Examples include security for and limited access to assets such as cash, securities, inventories, and equipment that might be vulnerable to risk of loss or unauthorized use. Management periodically counts and compares such assets to control records.

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,

**CRAIG COUNTY, OKLAHOMA
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and handling any related assets so that no one individual controls all key aspects of a transaction or event.

Accurate and timely recording of transactions

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

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

Objectives of an Entity – Compliance Objectives

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

Furthermore, GAO Standards – Section 2 – Establishing an Effective Internal Control System – OV2.24 states in part:

Safeguarding of Assets

Management designs an internal control system to provide reasonable assurance regarding prevention or prompt detection and correction of unauthorized acquisition, use, or disposition of an entity’s assets.

Title 19 O.S. § 531(A) states in part, “...The county sheriff may establish a checking account, to be designated the “Inmate Trust Fund Checking Account”... The county sheriff shall deposit all monies collected from inmates incarcerated in the county jail into this checking account and may write checks to the Sheriff’s Commissary Account for purchases made by the inmate during his or her incarceration and to the inmate from unencumbered balances due the inmate upon his or her discharge.”

Title 19 O.S. § 682 states in part, “...It shall be the duty of each and every county officer, county board, county commission and all members and employees of either thereof, to deposit daily in the official depository designated in Section 681 of this title, all monies, checks, drafts, orders, vouchers, funds, rentals, penalties, costs, proceeds of sale of property, fees, fines, forfeitures and public charges of every kind received or collected by virtue or under color of office...”

Title 22 O.S. § 1325(F, H) provides guidance for the handling of unclaimed property or money in the County Sheriff’s possession.

APPENDIX A

CORRECTIVE ACTION PLAN

(Prepared by County Management)

Craig County Commissioners
210 W. Delaware Ave.
Suite 106
Vinita, OK 74301
Phone: (918) 256-3564 Fax: (918) 256-3617
Secretary: Dawn Goins

Corrective Action Plan
in accordance with 2 CFR § 200.511c
for the fiscal year ended June 30, 2021

Finding No.	Title (Financial) or Assistance Listing No. (formerly CFDA No.) & Program Name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2021-001	Lack of County-Wide Controls	Management will work together to design and implement county-wide controls to identify and address Risk Assessment and Monitoring. These procedures will be included in the county handbook. Management will also hold quarterly meetings to discuss and take action regarding risk assessment and monitoring.	12-12-23	Lowell Walker
2021-002	Lack of Internal Controls Over Information System Security – County Clerk	I will take the State Auditor’s recommendations under advisement.	12-12-23	Tammy Malone
2021-004	Lack of Internal Controls and Material Misstatement - Required Supplemental Information	Management will work together to ensure the County's Required Supplemental Information is reviewed to determine they are accurately presented.	12-12-23	Tammy Malone
2021-006	Lack of Internal Controls and Noncompliance Over Disbursement Process	<p>Management will work together to design and implement a system of controls to ensure expenditures are made in accordance with state statute.</p> <p>To improve segregation of duties over expenditures, the County Clerk has changed the method of certifying purchase orders by requiring someone, that did not encumber the purchase order, to reconcile support documents to the purchase order and sign certification.</p> <p>Management will consult the District Attorney to find a resolution to continuing the practice of the County Commissioner’s</p>	12-12-23	Tammy Malone

		Secretary encumbering purchase orders. Additionally, the County Clerk will work with our software provider to ensure that the Commissioner's Secretary can only encumber for the district barns.		
2021-007	Lack of Internal Controls and Segregation of Duties Over Payroll	The County Clerk is working on segregating the duties within payroll as much as possible. Currently, the payroll clerk is enrolling new employees and someone other than the payroll clerk terminates employees in the system, payroll claims are reviewed and signed by the officers of each department and employees before the issuance of warrants, and withholding reports are being reviewed by someone other than the payroll clerk.,	12-12-23	Tammy Malone
2021-015	Lack of County-Wide Controls Over Major Federal Program – Coronavirus Relief Fund	Management will work together to design and implement a system of internal controls to ensure compliance with grant requirements.	12-12-23	Lowell Walker
2021-016	Lack of Controls Over Major Federal Program – Coronavirus Relief Fund	Management will work together to design and implement a system of internal controls to ensure compliance with grant requirements.	12-12-23	Lowell Walker

APPENDIX B

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

(Prepared by County Management)

Craig County Commissioners
210 W. Delaware Ave.
Suite 106
Vinita, OK 74301
Phone: (918) 256-3564 Fax: (918) 256-3617
Secretary: Dawn Goins

**Summary Schedule of Prior Audit Findings
in accordance with 2 CFR § 200.511b
for the fiscal year ended June 30, 2021**

FINANCIAL AUDIT FINDINGS

Finding 2008-002, 2010-002, 2012-001, 2013-001, 2014-001, 2017-001, 2018-001, 2019-001, 2020-001
- Lack of County-Wide Controls

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

Finding 2008-001, 2010-001, 2012-002, 2013-002, 2014-002, 2017-003, 2018-004, 2019-003, 2020-002
Lack of Internal Controls Over Information System Security – County Clerk

Finding Summary: Adequate controls have not been implemented to safeguard data from unauthorized modification, loss, or disclosure.
Status: Not Corrected.

Finding 2019-005, 2020-005

Lack of Internal Controls over the Financial Statement, Notes to the Financial Statement, and Required Supplemental Information

Finding Summary: Adequate controls have not been implemented to ensure the County's financial statement and notes to the financial statement, are prepared in a timely manner and are accurately presented.
Status: Fully Corrected.

Finding 2006-003, 2007-003, 2008-013, 2008-022, 2010-012, 2010-019, 2012-008, 2012-010, 2013-006, 2013-008, 2014-005, 2014-007, 2017-007, 2018-009, 2019-007, 2020-006

Lack of Internal Controls and Noncompliance Over Disbursement Process

Finding Summary: A lack of Segregation of duties over the disbursement processes. The Board of County Commissioners' Secretary has permissions within the County Clerk's purchase order system to perform the duties of the Purchasing Agent by encumbering purchase orders. The individual performing the encumbrance in the system is not initialing the purchase order next to the Purchasing Agent's electronically embedded name when the purchase order is printed. Requisitions were not always signed by the Requisitioning Officer prior to the purchasing or receipt of goods or services. Expenditures are not always encumbered prior to receiving goods or services.

Status: Partially Corrected - The county is no longer using purchase orders and warrants within the County Health fund.

Finding 2008-006, 2010-006, 2012-009, 2013-007, 2014-006, 2017-010, 2018-011, 2019-009, 2020-007

Lack of Internal Controls and Segregation of Duties Over Payroll

Finding Summary: A lack of segregation of duties exists in the County Clerk's office over payroll functions.
Status: Not Corrected.

FEDERAL AUDIT FINDINGS

Finding 2018-015, 2020-015

Lack of County-Wide Controls Over Major Federal Programs – Disaster Grants– Public Assistance (Presidentially Declared Disasters)

Pass-Through Grantor: Oklahoma Department of Emergency Management

Federal Agency: U.S. Department of Homeland Security

Assistance Listing No: 97.036

Federal Program Name: Disaster Grants – Public Assistance (Presidentially Declared Disasters)

Federal Grant Award Number: DR-4438, DR-4453

Federal Award Year: 2020

Control Category: Activities Allowed or Unallowed; Allowable Costs/Costs Principles; Period of Performance

Questioned Costs: \$-0-

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

Status: Not Corrected.

Finding 2018-016, 2020-016

Lack of Internal Controls Over Major Federal Programs – Disaster Grants– Public Assistance (Presidentially Declared Disasters)

Pass-Through Grantor: Oklahoma Department of Emergency Management

Federal Agency: U.S. Department of Homeland Security

Assistance Listing No: 97.036

Federal Program Name: Disaster Grants – Public Assistance (Presidentially Declared Disasters)

Federal Grant Award Number: DR-4438, DR-4453

Federal Award Year: 2020

Control Category: Activities Allowed or Unallowed; Allowable Costs/Costs Principles; Period of Performance

Questioned Costs: \$-0-

Finding Summary: Internal controls have not been designed and implemented to ensure federal expenditures are made in accordance with federal compliance requirements.

Status: Not Corrected.

Finding 2020-017

Lack of Internal Controls and Noncompliance with Compliance Requirements: A – Activities Allowed or Unallowed, B – Allowable Costs/Costs Principles, and H – Period of Performance

Pass-Through Grantor: Oklahoma Department of Emergency Management

Federal Agency: U.S. Department of Homeland Security

Assistance Listing No: 97.036

Federal Program Name: Disaster Grants – Public Assistance (Presidentially Declared Disasters)

Federal Grant Award Number: DR-4438, DR-4453

Federal Award Year: 2020

Control Category: Activities Allowed or Unallowed; Allowable Costs/Costs Principles; Period of Performance

Questioned Costs: \$114,454

Finding Summary: Internal controls have not been designed and implemented to ensure federal expenditures are made in accordance with federal compliance requirements: Activities Allowed or Unallowed; Allowable Costs/Costs Principles; Period of Performance.

Status: Fully Corrected.

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