



CRAIG COUNTY

Financial Report

For the fiscal year ended June 30, 2018

Cindy Byrd, CPA
State Auditor & Inspector

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

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Cindy Byrd, CPA | State Auditor & Inspector

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May 29, 2020

TO THE CITIZENS OF
CRAIG COUNTY, OKLAHOMA

Transmitted herewith is the audit of Craig County, Oklahoma for the fiscal year ended June 30, 2018. The audit was conducted in accordance with 19 O.S. § 171.

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

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

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

Sincerely,

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

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



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

Board of County Commissioners

District 1 – Lowell Walker
District 2 – Mike Fitzpatrick
District 3 – Dan Pectom

County Assessor

Kelli Beisly-Minson

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, 2018**

TABLE OF CONTENTS

FINANCIAL SECTION

Report of State Auditor and Inspector 1

 Financial Statement:

 Statement of Receipts, Disbursements, and Changes in Cash Balances—Regulatory Basis (with
 Combining Information) 4

 Notes to the Financial Statement..... 5

SUPPLEMENTARY INFORMATION

 Comparative Schedule of Receipts, Expenditures, and Changes in
 Cash Balances—Budget and Actual—Budgetary Basis—General Fund 13

 Comparative Schedule of Receipts, Expenditures, and Changes in
 Cash Balances—Budget and Actual—Budgetary Basis—County Health Department Fund..... 14

 Note to Supplementary Information..... 15

 Schedule of Expenditures of Federal Awards 16

 Notes to the Schedule of Expenditures of Federal Awards..... 17

INTERNAL CONTROL AND COMPLIANCE SECTION

 Report on Internal Control Over Financial Reporting and on Compliance and Other Matters
 Based on an Audit of Financial Statements Performed in Accordance With
 Government Auditing Standards..... 18

 Independent Auditor's Report on Compliance for Each Major Federal Program
 and on Internal Control Over Compliance Required by the Uniform Guidance 20

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

INTERNAL CONTROL AND COMPLIANCE SECTION - CONTINUED

| | |
|---|----|
| Schedule of Findings and Questioned Costs..... | 23 |
| Appendix A: Corrective Action Plan (Prepared by County Management) | 40 |
| Appendix B: Summary Schedule of Prior Audit Findings (Prepared by County Management)..... | 43 |

FINANCIAL SECTION

Independent Auditor's Report

TO THE OFFICERS OF
CRAIG COUNTY, OKLAHOMA

Report on the Financial Statement

We have audited the combined total—all county funds on the accompanying regulatory basis Statement of Receipts, Disbursements, and Changes in Cash Balances of Craig County, Oklahoma, as of and for the year ended June 30, 2018, and the related notes to the financial statement, which collectively comprise the County's basic financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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



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

As described in Note 1, the financial statement is prepared by 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, 2018, or changes in financial position for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash balances for all county funds of Craig County, for the year ended June 30, 2018, in accordance with the basis of accounting described in Note 1.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the combined total of all county funds on the financial statement. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the remaining supplementary information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statement.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 28, 2020, 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

May 28, 2020

REGULATORY BASIS FINANCIAL STATEMENT

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

| | Beginning Cash Balances July 1, 2017 | Receipts Apportioned | Transfers In | Transfers Out | Disbursements | Ending Cash Balances June 30, 2018 |
|---|--|-------------------------|-----------------|------------------|---------------------|--|
| Combining Information: | | | | | | |
| County General Fund | \$ 1,505,782 | \$ 3,727,959 | \$ 341 | \$ - | \$ 3,503,677 | \$ 1,730,405 |
| County Highway Fund | 1,626,546 | 2,188,080 | - | - | 2,134,456 | 1,680,170 |
| Sheriff Drug Enforcement | 44 | - | - | - | - | 44 |
| County Health | 404,061 | 506,197 | 250 | - | 477,766 | 432,742 |
| County Sinking | 15 | 55 | - | 66 | - | 4 |
| Sales Tax Building Cash Account | 327,884 | 1,641,603 | - | - | 1,607,047 | 362,440 |
| Sheriff Service Fee | 119,007 | 242,725 | - | - | 203,777 | 157,955 |
| Resale Property | 297,821 | 76,057 | 1,905 | - | 54,232 | 321,551 |
| Assessor Revolving | 24,469 | 3,252 | - | - | 1,758 | 25,963 |
| County Clerk Lien Fee | 8,027 | 3,727 | - | - | 3,749 | 8,005 |
| Assessor Visual Inspection | 2,569 | - | - | - | 154 | 2,415 |
| Treasurer Mortgage Tax Certification Fee | 14,220 | 2,675 | - | - | 1,622 | 15,273 |
| Juvenile Transport | 901 | 752 | - | - | 542 | 1,111 |
| County Clerk Records Management and Preservation | 19,463 | 13,635 | - | - | 11,271 | 21,827 |
| Department of Corrections Board of Prisoners | 185,665 | 156,104 | - | - | 150,504 | 191,265 |
| Sheriff Drug Buy | 2,069 | - | - | - | - | 2,069 |
| Sheriff Jail Commissary Profit | 8,279 | 52,515 | - | - | 31,935 | 28,859 |
| Flood Plain Board | 34 | 250 | - | - | 100 | 184 |
| County Bridge and Road Improvement Fund | 986,747 | 271,441 | - | - | 96,611 | 1,161,577 |
| 911 Fees Charged | 14 | 8 | - | - | 22 | - |
| Craig County Emergency Management-2 | 12,121 | 32,446 | - | - | 30,620 | 13,947 |
| Sheriff Littering Reward | 188 | 100 | - | - | - | 288 |
| Local Emergency Planning Committee (LEPC) | 982 | 1,000 | - | - | 824 | 1,158 |
| CED#1 Easements (Circuit Engineering District #1) | 304,410 | 33,275 | - | - | 33,275 | 304,410 |
| Drug Court User Fees | 21,454 | 39,893 | - | - | 44,000 | 17,347 |
| Safe Room Reimbursement (SRR) | - | 191,267 | - | - | 177,392 | 13,875 |
| Combined Total - All County Funds | \$ 5,872,772 | \$ 9,185,016 | \$ 2,496 | \$ 66 | \$ 8,565,334 | \$ 6,494,884 |

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, 2018**

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 as combining information within the financial statement:

County General Fund – accounts for the general operations of the government.

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

Sheriff Drug Enforcement – accounts for the receipt of state grant monies and donations. Disbursements are for the operations of the 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.

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

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

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 and Court Clerk fees as restricted by state statute.

Resale Property – accounts for the collection of interest and penalties on delinquent ad valorem taxes and disbursements 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 the collections and disbursements of lien fees as restricted by state statute.

Assessor Visual Inspection – accounts for the receipt of fees charged to all entities receiving ad valorem taxes. Disbursements are for the expenses incurred for the re-evaluation of all county property for ad valorem purposes.

Treasurer Mortgage Tax Certification Fee – accounts for the collection of fees by the 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. Disbursements are for the maintenance and preservation of public records.

Department of Corrections Board of Prisoners – accounts for the monies received from the State of Oklahoma for the boarding and feeding of Department of Corrections prisoners and disbursements as restricted by statute.

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

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

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

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.

911 Fees Charged – accounts for the collection of fees charged on cellular telephone bills for the County's wireless emergency 911 system. Disbursements are for expenditures related to providing these services.

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.

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.

CED #1 Easements (Circuit Engineering District #1) – accounts for revenues from the Cherokee Nation to be used for the White Oak Road Project.

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 to be used to offset costs associated with running the program.

Safe Room Reimbursement (SRR) – accounts for federal grant revenues and expenditures for the Same Room Reimbursement Project.

C. Basis of Accounting

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

Title 19 O.S. § 171 specifies the format and presentation for Oklahoma counties to present their financial statement in accordance with accounting principles generally accepted in the United

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

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

D. Budget

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

E. Cash and Investments

For the purposes of financial reporting, “Ending Cash Balances, June 30” includes cash and cash equivalents and investments as allowed by statutes. The County pools the cash of its various funds in maintaining its bank accounts. However, cash applicable to a particular fund is readily identifiable on the County’s books. The balance in the pooled cash accounts is available to meet current operating requirements.

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

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

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

property. Assessed values are established by the County Assessor within the prescribed guidelines established by the Oklahoma Tax Commission and the State Equalization Board. Title 68 O.S. § 2820.A. states, ". . . Each assessor shall thereafter maintain an active and systematic program of visual inspection on a continuous basis and shall establish an inspection schedule which will result in the individual visual inspection of all taxable property within the county at least once each four (4) years."

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

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

3. Other Information

A. Pension Plan

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

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.

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

C. Contingent Liabilities

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

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

D. Sales Tax

Sales Tax of 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.

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

Sales Tax of May 14, 2013

The voters of Craig County approved to extend and renew the one percent (1%) sales tax set to expire on June 30, 2014. This extension is for a five (5) year period beginning July 1, 2014. The revenue of said sales tax is to be designated as follows: county roads in the amount of 62.50%; emergency medical (ambulance) services in the amount of 12.50%; 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.

E. Tax Abatements

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

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

The County had \$9,130 of ad valorem taxes abated under this program for the fiscal year ended June 30, 2018.

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

F. Interfund Transfers

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

- \$275 was transferred from the Cash in Office fund (a trust and agency fund) to the County General Fund to balance the general ledger with the estimate of needs.

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

- \$66 was transferred from the County Sinking fund to the County General Fund as authorized by 62 O.S. § 445.
- \$250 was transferred from the Cash in Office fund (a trust and agency fund) to the County Health fund to balance the general ledger with the estimate of needs.
- \$1,905 was transferred from Treasurer Excess Resale (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 RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

| | General Fund | | |
|---|--------------|--------------|----------------|
| | Budget | Actual | Variance |
| Beginning Cash Balances | \$ 1,506,057 | \$ 1,505,782 | \$ (275) |
| Less: Prior Year Outstanding Warrants | (134,681) | (134,681) | - |
| Less: Prior Year Encumbrances | (35,699) | (35,442) | 257 |
| Beginning Cash Balances, Budgetary Basis | 1,335,677 | 1,335,659 | (18) |
| Residual Transfer | - | 341 | 341 |
| Total Receipts, Budgetary Basis | 3,662,673 | 3,727,959 | 65,286 |
| Total Expenditures, Budgetary Basis | 4,998,350 | 3,604,864 | 1,393,486 |
| Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis | \$ - | 1,459,095 | \$ (1,459,095) |
| Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances | | | |
| Add: Current Year Outstanding Warrants | | 236,171 | |
| Add: Current Year Encumbrances | | 35,139 | |
| Ending Cash Balance | | \$ 1,730,405 | |

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

| | County Health Department Fund | | |
|---|-------------------------------|------------|------------|
| | Budget | Actual | Variance |
| Beginning Cash Balances | \$ 404,311 | \$ 404,061 | \$ (250) |
| Less: Prior Year Outstanding Warrants | (28,109) | (28,109) | - |
| Less: Prior Year Encumbrances | (45,494) | (38,851) | 6,643 |
| Beginning Cash Balances, Budgetary Basis | 330,708 | 337,101 | 6,393 |
| Residual Transfer | - | 250 | 250 |
| Total Receipts, Budgetary Basis | 481,085 | 506,197 | 25,112 |
| Total Expenditures, Budgetary Basis | 811,793 | 448,767 | 363,026 |
| Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis | \$ - | 394,781 | \$ 394,781 |
| Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances | | | |
| Add: Current Year Encumbrances | | 13,545 | |
| Add: Current Year Outstanding Warrants | | 24,416 | |
| Ending Cash Balance | | \$ 432,742 | |

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

1. Budgetary Schedules

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

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

| Federal Grantor/Pass-Through Grantor/Program Title | Federal CFDA Number | Pass-Through Grantor's Number | Federal Expenditures |
|---|---------------------------|-------------------------------------|-------------------------|
| U.S. DEPARTMENT OF TRANSPORTATION | | | |
| Passed Through the Oklahoma Department of Transportation: | | | |
| Highway Planning and Construction | 20.205 | ERSTP-218C (063)ER | \$ 5,767 |
| Highway Planning and Construction | 20.205 | ERSTP-218C (064)ER | 8,087 |
| Highway Planning and Construction | 20.205 | ERSTP-218C (067)ER | 31,156 |
| Highway Planning and Construction | 20.205 | ERSTP-218C (066)ER | 12,714 |
| Highway Planning and Construction | 20.205 | ERSTP-218C (069)ER | 4,220 |
| Total U.S. Department of Transportation | | | <u>61,944</u> |
| CORPORATION FOR NATIONAL AND COMMUNITY SERVICE | | | |
| Direct Grant: | | | |
| Senior Companion Program | 94.016 | | 216,251 |
| Total Corporation for National and Community Service | | | <u>216,251</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-4315 | 463,993 |
| Hazard Mitigation Grant | 97.039 | HM 4247 | 177,392 |
| Emergency Management Performance Grants | 97.042 | EMPG 17, EMPG 18 | 25,951 |
| Total U.S. Department of Homeland Security | | | <u>667,336</u> |
| Total Expenditures of Federal Awards | | | <u>\$ 945,531</u> |

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

Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of 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 May 26, 2017, the President of the United States approved a Major Disaster Declaration for Craig County in response to the severe storms, tornadoes, and flooding during the period of April 28, 2017 to May 2, 2017. The County incurred \$235,412 in eligible expenditures in the prior fiscal year ending June 30, 2017. The Federal Emergency Management Agency approved all project worksheets for this disaster in the fiscal year ending June 30, 2018. Therefore, expenditures on the schedule of expenditures of federal awards for CFDA 97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters) will include \$235,412 in eligible expenditures incurred in the fiscal year ending June 30, 2017 and all eligible expenditures that were incurred in the fiscal year ending June 30, 2018.

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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined total—all funds of the accompanying Statement of Receipts, Disbursements, and Changes in Cash Balances (with Combining Information) of Craig County, Oklahoma, as of and for the year ended June 30, 2018, and the related notes to the financial statement, which collectively comprises Craig County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated May 28, 2020.

Our report included an adverse opinion on the financial statement because the statement is prepared using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County for the year ended June 30, 2018, on the basis of accounting prescribed by Oklahoma state law, described in Note 1.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered Craig County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of 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: 2018-001, 2018-008, 2018-009, and 2018-011.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency: 2018-004.

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2018-009.

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 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 the financial statement and, accordingly, we express no opinion on the response.

Purpose of this Report

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

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



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

May 28, 2020

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

TO THE OFFICERS OF
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, 2018. 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.

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 requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2018.

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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph 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. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2018-015 and 2018-016 to be material weaknesses.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2018-005 to be a significant deficiency.

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



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

May 28, 2020

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

SECTION 1—Summary of Auditor’s Results

Financial Statements

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

Internal control over financial reporting:

- Material weaknesses identified? Yes
- Significant deficiency identified? Yes

Noncompliance material to financial statements noted? Yes

Federal Awards

Internal control over major programs:

- Material weaknesses identified? Yes
- Significant deficiency identified? Yes

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>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|--|
| 97.036 | Disaster Grants - Public Assistance (Presidentially Declared Disasters) |

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, 2018**

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

Finding 2018-001 – County-Wide Controls (Repeat Finding 2008-002, 2010-002, 2012-001, 2013-001, 2014-001, 2017-001)

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

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

Effect of Condition: Without an adequate system of county-wide controls, there is 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:

Chairman of the Board of County Commissioners: As Chairman I will work with the other officials of Craig County to assess and identify risk and monitoring and to design written policies/procedures 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.

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

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

Definition of Internal Control

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

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

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

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. § 24A.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. § 24A.28.

Management Response:

County Clerk: I am in the process of upgrading to a new the software system, which should remedy this situation.

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.

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

Finding 2018-008 – Internal Controls Over the Reconciliation of Appropriation Ledger to General Ledger (Repeat Finding 2008-009, 2010-009, 2017-006)

Condition: The County Clerk does not reconcile the appropriation ledger to the County Treasurer’s general ledger.

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

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

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

Management Response:

County Clerk: Monthly reconciliations with the Treasurer’s office began on July 1, 2019. Documentation of the reconciliation is retained and indicates who prepared and who reviewed the reconciliation.

County Treasurer: The County Clerk is now balancing with the County Treasurer’s general ledger.

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

Internal Control System Monitoring

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

Finding 2018-009 – 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)

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

- One employee generates all requisition/purchase orders, encumbers the funds, verifies the purchase order upon receiving all supporting documentation, prepares warrants, prints warrants,

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

distributes signed warrants, maintains warrant register, posts warrants as paid in the system, and maintains appropriation ledger.

A sample of fifty-eight (58) out of eighteen thousand three hundred and ninety-eight (18,398) expenditures reflected the following:

- Five (5) expenditures totaling \$80,701 were not encumbered prior to receiving goods or services.

Additionally, a sample of twelve (12) out of ninety-one (91) Safe Room Reimbursement fund expenditures reflected the following:

- Twelve (12) expenditures totaling \$23,743 were not encumbered prior to receiving goods or services.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure adequate segregation of duties in the County Clerk's office with regard to the purchasing process. Additionally, policies and procedures have not been designed and implemented to ensure the County is in compliance with state statute regarding the disbursement process.

Effect of Condition: These conditions resulted in noncompliance with state statute and could result in unrecorded transactions, undetected errors, inaccurate records, incomplete information, 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 risk involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office and having management review and approve accounting functions.

Additionally, OSAI recommends that the County implement internal control procedures to ensure compliance with purchasing guidelines. Purchase orders should be encumbered before goods or services are ordered.

Management Response:

Chairman of the Board of County Commissioners/District 1 Commissioner: This was my first time hiring a land acquisition company for right of way and now I know to encumber amounts prior to invoicing. We will encumber funds earlier in the month for lease payments to resolve matter. Additionally, I will let the Emergency Management Director know to encumber funds from the federal award letter to resolve encumbrance problem.

County Commissioner District 2: I will do a better job encumbering prior to purchase.

County Commissioner District 3: I will work with other officials to fix the encumbrance issue.

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

County Clerk: As of August 1, 2017, duties are more segregated due to the addition of new employees. Moving forward, the expenditures for the ambulance service will be encumbered prior to receiving the invoice.

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

Segregation of Duties

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

Additionally, Principle 10 - Segregation of Duties states:

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

10.13 – Segregation of duties helps prevent fraud, waste, and abuse in the internal control system. Management considers the need to separate control activities related to authority, custody, and accounting of operations to achieve adequate segregation of duties. In particular, segregation of duties can address the risk of management override. Management override circumvents existing control activities and increases fraud risk.

Management addresses this risk through segregation of duties, but cannot absolutely prevent it because of the risk of collusion, where two or more employees act together to commit fraud.

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

Furthermore, 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.

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

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

Finding 2018-011 – Internal Controls and Segregation of Duties Over Payroll (Repeat Finding-2008-006, 2010-006, 2012-009, 2013-007, 2014-006, 2017-010)

Condition: Upon inquiry, observation, and testing of the County’s payroll process, we noted one employee is responsible for the following:

- Enrolling new hires.
- Reviewing payroll claims.
- Inputting payroll information into the system.
- Calculating withholdings.
- Preparing withholding reports.
- Prepare, print, and distribute payroll warrants.
- Maintains warrant register.
- Removed terminated employees from payroll system.
- Maintains personnel files.

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

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

The following key accounting functions of the payroll process should be adequately segregated:

- Enrolling new employees and maintaining personnel files,
- Reviewing time records and preparing payroll, and
- Distributing payroll warrants to individuals.

Management Response:

County Clerk: As of August 1, 2017, duties are more segregated due to the addition of new employees. Moving forward, the expenditures for the ambulance service will be encumbered prior to receiving the invoice.

Criteria: The GAO Standards – Principle 10 – Design and 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

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

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.

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

Finding 2018-005 – Schedule of Expenditures of Federal Awards (Repeat Finding 2008-5, 2010-5, 2012-017, 2013-15, 2014-015, 2017-004)

PASS-THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: U.S. Department of Homeland Security

CFDA NO: 97.036

FEDERAL PROGRAM NAME: Disaster Grants – Public Assistance (Presidentially Declared Disasters)

FEDERAL AWARD NUMBER: DR-4315

FEDERAL AWARD YEAR: 2018

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

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

Condition: During our audit we identified federal programs that were not accurately listed on the County's Schedule of Expenditures of Federal Awards (SEFA). Federal expenditures were understated by \$57,837. The following misstatements in expenditures were noted:

- The actual expenditures for Highway Planning and Construction, CFDA 20.205 were \$61,944; however, the County reported \$5,058, which understated expenditures by \$56,886.
- The actual expenditures for Emergency Management Performance Grants, CFDA 97.042 were \$25,951; however, the County reported \$25,000, which understated expenditures by \$951.

| | |
|---|-------------------|
| Reported Total Expenditures of Federal Awards | \$ 887,694 |
| Plus: Highway Planning and Construction (CFDA 20.205) | 56,886 |
| Plus: Emergency Management Performance Grants (CFDA 97.042) | <u>951</u> |
| Actual Federal Expenditures of Federal Awards | \$ <u>945,531</u> |
| Original SEFA understated by | \$ <u>57,837</u> |

Cause of Condition: Policies and procedures have not been designed and implemented to ensure accurate reporting of expenditures for all federal awards.

Effect of Condition: These conditions resulted in the erroneous reporting of the County's SEFA and noncompliance with federal requirements.

Recommendation: OSAI recommends county officials and department heads gain an understanding of federal programs awarded to Craig County. Internal control procedures should be designed and implemented to ensure accurate reporting of expenditures and revenues on the SEFA and to ensure compliance with federal requirements.

Management Response:

Chairman of the Board of County Commissioners/District 1 County Commissioner: I will work with other elected officials to design and implement procedures to ensure the SEFA is accurately prepared and the County is in compliance with federal requirements.

District 2 County Commissioner: I plan on working with the other officials to ensure the SEFA is accurately prepared.

District 3 County Commissioner: I will work with other officials to fix the issues noted in the reporting of federal expenditures.

County Clerk: Using the new Chart of Accounts makes it easier to track federal money. I will work with other offices to identify federal money that should be reported.

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

County Treasurer: The County Treasurer’s office does not prepare the SEFA report for the County, we only receipt the federal money coming into the County. However, the Treasurer’s office will try to follow up with other elected officials concerning the reporting of the SEFA.

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).

2 CFR § 200.508(b) *Auditee responsibilities* reads as follows:

The auditee must:

Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with §200.510 Financial statements.

2 CFR § 200.510(b) *Financial statements* reads as follows:

Schedule of expenditures of Federal awards. The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with §200.502 Basis for determining Federal awards expended. [....]

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 – Principle 6 – Define Objectives and Risk Tolerances – 6.05 states:

Definitions of Objectives

Management considers external requirements and internal expectations when defining objectives to enable the design of internal control. Legislators, regulators, and standard-setting bodies set external requirements by establishing the laws, regulations, and standards with which the entity is required to comply. Management identifies, understands, and incorporates these requirements into the entity’s objectives. Management sets internal expectations and requirements through the established standards of conduct, oversight

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

structure, organizational structure, and expectations of competence as part of the control environment.

Finding 2018-015 – County-Wide Internal Controls Over Major Federal Program- FEMA

PASS-THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: U.S. Department of Homeland Security

CFDA NO: 97.036

FEDERAL PROGRAM NAME: Disaster Grants – Public Assistance (Presidentially Declared Disasters)

FEDERAL AWARD NUMBER: DR-4315

FEDERAL AWARD YEAR: 2018

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

QUESTIONED COSTS: \$-0-

Condition: County-wide controls regarding Control Environment, Risk Assessment, Information and Communication, and Monitoring have not been designed.

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

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

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

Management Response:

Chairman of the Board of County Commissioners/ County Commissioner District 1: I will work with the other officials to design and implement a system of internal controls to ensure compliance with grant requirements. Procedures will include:

- Maintaining records of federal meetings and information regarding federal grant requirements.
- Conveying important information regarding federal compliance requirements to the County Clerk, County Treasurer, and county employees.
- Verifying vendors are not debarred or suspended when required by grant requirements.
- Ensuring employees know to maintain good daily records for federal projects.

County Commissioner District 2: I will work with the other officials to design and implement a system of internal controls to ensure compliance with grant requirements.

County Commissioner District 3: I will work with other officials to design and implement internal controls to ensure requirements are met.

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

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

Definition of Internal Control

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

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

Components, Principles, and Attributes

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

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

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

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

Finding 2018-016 – Internal Controls Over Major Federal Program - FEMA

PASS-THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: United States Department of Homeland Security

CFDA NO: 97.036

FEDERAL PROGRAM NAME: Disaster Grants – Public Assistance (Presidentially Declared Disasters)

FEDERAL AWARD NUMBER: DR-4315

FEDERAL AWARD YEAR: 2018

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

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/Cost Principles, Period of Performance, and Procurement and Suspension and Debarment.

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

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: These conditions resulted in noncompliance with federal grants requirements and could lead to the loss of federal funds to the County.

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

Management Response:

Chairman of the Board of County Commissioners/ County Commissioner District 1: I will gain an understanding of the federal grant requirements for this program and implement internal control procedures to ensure compliance with all requirements.

County Commissioner District 2: I will gain an understanding of the federal grant requirements for this program and implement internal control procedures to ensure compliance with all requirements.

County Commissioner District 3: I will work with the other elected officials to gain an understanding of the requirements and implement internal controls to ensure requirements are met.

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).

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.

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

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

Finding 2018-013 – Internal Controls and Noncompliance Over Inmate Trust Fund Checking Account, Sheriff Commissary, and Sheriff Commissary Fund (Repeat Finding)

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

Inmate Trust Fund Checking Account:

- 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):
 - Account 1 –
 - Bank reconciliations are performed; however, outstanding check amounts cannot be substantiated.
 - There are no indications that reconciliations are reviewed and approved by someone other than the preparer.
 - Account 2 –
 - Bank reconciliations generated by the Sheriff’s Commissary vendor system are not reviewed for accuracy by anyone at the County.
 - Outstanding deposits from August 31, 2017 in the amount of \$25 and from February 12, 2018 in the amount of \$209 are noted as reconciling items on the June 30, 2018 bank reconciliation. These reconciling items are actually errors made by the commissary vendor but were not caught by the county until January 24, 2019 due to the lack of review of the bank reconciliation.
- One employee is responsible for receiving/receipting monies, accessing and balancing the drop box collections, preparing deposit slips, updating inmates’ account balances with credits and deductions, and maintaining physical control of outstanding checks that have not been picked up by inmates.
- There is no oversight over the Inmate Trust Fund Checking Account bookkeeping processes to ensure completeness and accuracy.

Expenditures:

- There is no log for tracking unclaimed money. The Sheriff’s office retains all checks that have not been picked up, however; the total amount including checks that have been picked up but not cashed could not be determined.

Sheriff Commissary:

- One employee is responsible for ordering or purchasing goods for the commissary, deducting order amounts from inmate balances, receiving items ordered, maintaining and updating

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

inventory records, maintaining inventory items on hand, and performing physical inventory count for commissary items.

- Inventory records were not kept for commissary items on hand.

Sheriff Commissary Fund:

- The County Sheriff's office does not file an annual report for the Sheriff Commissary Fund with the Board of County Commissioners by January 15th, of each year in accordance with state statute.

Cause of Condition: Policies and procedures have not been designed and implemented for proper administration regarding the Inmate Trust Fund Checking Account, the Sheriff Commissary, and the 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 and the Sheriff Commissary, 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.
- A log for unclaimed property is maintained.
- Inventory records are maintained for all commissary items maintained on hand.
- The County Sheriff files a report of the commissary with the County Commissioners by January 15th, of each year in accordance with 19 O.S. § 180.43 (A).

Management Response:

County Sheriff: My office is currently working on closing out the Inmate Trust Fund Checking Account (ITFCA) started by the previous administration with guidance of the District Attorney's office. Bank reconciliations are done monthly as required. The issues stated in the audit were due to errors in the accounting software provided by the vendor. Two employees are used in the process of handling inmate money when possible. My office will work towards developing procedures to better ensure accurate inventory of items sold at the facility. My office did complete the annual commissary report as required; however, we failed to file it with the BOCC as prescribed by statute. We have since filed the report to correct this issue.

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

Auditor Response: Bank reconciliations generated by the Sheriff's Commissary vendor system are not reviewed for accuracy by anyone at the County and there were eleven (11) checks issued from ITFCA Account 1 with no payee identified.

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

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, 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.

Title 19 O.S. § 180.43 D. states in part, "...Any funds received pursuant to said operations shall be the funds of the county where the persons are incarcerated and shall be deposited in the Sheriff's Commissary Account. The sheriff shall be permitted to expend the funds to improve or provide jail services. The sheriff shall be permitted to expend any surplus in the Sheriff's Commissary Account for administering expenses for training equipment, travel or for capital expenditures. The claims for expenses shall be filed with and allowed by the board of county commissioners in the same manner as other claims. The Sheriff shall receive no compensation for the operation of said commissary. The sheriff shall file

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

an annual report on any said commissary under his or her operation no later than January 15 of each year.”

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.”

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 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)

LOWELL WALKER
Commissioner Dist. 1

MIKE FITZPATRICK
Commissioner Dist. 2

DAN PEETOOM
Commissioner Dist. 3

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

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

| Finding No. | Title (Financial) or CFDA No. & Program Name (Federal) | Planned Corrective Action | Anticipated Completion Date | Responsible Contact Person |
|--------------------|--|---|------------------------------------|-----------------------------------|
| 2018-001 | County-Wide Controls (Repeat Finding) | County officials will work together to assess and identify risk and monitoring and to design written policies/procedures to be included in the county handbook. County officials will also hold quarterly meetings to discuss and take action regarding risk assessment and monitoring. | 09/01/2020 | Lowell Walker |
| 2018-004 | Internal Controls Over Information System Security – County Clerk (Repeat Finding) | The County Clerk’s Office is in the process of upgrading the software system and with the new software system, it should remedy this situation. | 09/01/2020 | Tammy Malone |
| 2018-005 | Schedule of Expenditures of Federal Awards (Repeat Finding) | Management will work together to design and implement a system of controls to ensure accurate reporting of expenditures and revenues on the Schedule of Expenditures of Federal Awards and to ensure compliance with federal requirements. | 09/01/2020 | Tammy Malone |
| 2018-008 | Internal Controls Over the Reconciliation of Appropriation Ledger to General Ledger (Repeat Finding) | The County Clerk’s Office now reconciles with the Treasurer’s General Ledger on a monthly basis. | 07/01/2019 | Tammy Malone |
| 2018-009 | Internal Controls and Noncompliance Over Disbursement Process (Repeat Finding) | Management will work together to design and implement a system of controls to ensure encumbrances are made in compliance with state statute. To improve segregation of duties, I have changed | 09/01/2020 04/01/2020 | Tammy Malone Tammy Malone |

| | | | | |
|----------|--|--|------------|--------------|
| | | the method of certifying purchase orders by requiring a member of my staff or myself, someone that did not encumber the PO, to reconcile support documents to the purchase order and sign certification. | | |
| 2018-011 | Internal Controls and Segregation of Duties Over Payroll (Repeat Finding) | I am currently in the process of upgrading my software which will hopefully help rectify this issue by providing access restrictions. Until then, the payroll clerk will not be allowed to terminate employees in the system, and I will be viewing change logs to ensure this policy change is followed. | 05/01/2020 | Tammy Malone |
| 2018-015 | 97.036-Disaster Grants-Public Assistance (Presidentially Declared Disasters)- County-Wide Controls Over Major Federal Program-FEMA | Management will work together to design and implement a system of internal controls to ensure compliance with grant requirements. Management will establish procedures for maintaining records of federal meeting and information regarding federal grant requirements; conveying important information regarding federal compliance requirements to all elected officials and appropriate county employees; verifying vendors are not debarred or suspended when required by grant requirements; and ensuring employees know to maintain good daily records for federal projects. | 09/01/2020 | Tammy Malone |
| 2018-016 | 97.036-Disaster Grants-Public Assistance (Presidentially Declared Disasters)- Internal Controls Over Major Federal Program - FEMA | Management will work together to design and implement a system of internal controls to ensure compliance with grant requirements. | 09/01/2020 | Tammy Malone |

APPENDIX B

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

(Prepared by County Management)

LOWELL WALKER
Commissioner Dist. 1

MIKE FITZPATRICK
Commissioner Dist. 2

DAN PEETOOM
Commissioner Dist. 3

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

**Summary Schedule of Prior Audit Findings
in accordance with 2 CFR § 200.511b
for the fiscal year ended June 30, 2018**

FINANCIAL AUDIT FINDINGS

Finding 2008-001, 2010-001

Disaster Recovery Plan, Computer Usage Policies, and Passwords (Repeat Finding)

Finding Summary: Disaster Recovery Plan Court Clerk and Treasurer are outdated. The County Clerk, County Sheriff and BOCC do not have Disaster Recovery Plans in place. There is no written policy for computer usage and no plans forecasting and budgeting for computer needs. Additionally, there are adequate internal controls in place to safeguard data in the County from authorized modification, loss, or disclosure. The specifications of the condition have been sanitized to protect the County pursuant to the provision of 51 O.S. § 24A.28.

Status: Partially Corrected – The Disaster Recovery Plans for the Court Clerk and Treasurer have been updated and the County Clerk implemented a Disaster Recovery Plan effective in fiscal year 2017. Additionally, the County Sheriff developed a Disaster Recovery Plan in fiscal year 2019 and the BOCC completed the County-wide Disaster Recovery Plan on March 2, 2020. As for the issue of adequate internal controls in place to safeguard data in the County Clerk’s office from authorized modification, loss, or disclosure, the County Clerk is planning to switch systems and the switch should correct this issue. The County will look into adding written policies for computer usage but due to limited funds there will be no plans forecasting and budgeting for computer needs.

Finding 2008-002, 2010-002

Inadequate County-Wide Controls (Repeat Finding)

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

Status: Not Corrected and no action taken - County-wide controls regarding Risk Management and Monitoring have not been designed and implemented. This finding has been reoccurring as we work on how to design and incorporate County-wide controls. We are planning on implementing quarterly meeting to address County-wide controls and risks starting 9-1-2020.

Finding 2006-008, 2007-010, 2008-003, 2010-003

BOCC Minutes (Repeat Finding)

Finding Summary: The BOCC did not vote on resolutions, decisions, or questions submitted to the Board and the County Clerk did not prepared the minutes of the BOCC meeting from July 1, 2009 to June 30, 2010.

Status: Fully Corrected.

Finding 2008-006, 2010-006

Segregation of Duties – Payroll (Repeat Finding)

Finding Summary: A lack of segregation of duties exists in the County Clerk’s office over payroll functions.

Status: Not Corrected – Recurring due to lack of personnel and funding in the County Clerk’s office. However, the affidavit of payroll is always approved monthly prior to the distribution of checks to the employees by the BOCC in an opening meeting. Additionally, the County Clerk was able to increase staffing, which will help with the segregation of duties.

Finding 2008-007, 2010-007

Segregation of Duties – Treasurer (Repeat Finding)

Finding Summary: A lack of segregation of duties exists in the County Treasurer’s office because one person is responsible for posting to the general ledger, preparing monthly reports, preparing monthly apportionments, maintaining the investment ledger, and reconciling the general and official bank accounts.

Status: Fully Corrected.

Finding 2008-008, 2010-008

Segregation of Duties – Official Depository Accounts (Repeat Finding)

Finding Summary: There is a lack of segregation of duties over the receipting process for official depository collections within the offices of the Court Clerk, County Clerk, County Assessor, and County Health Department,

Status: Fully Corrected.

Finding 2008-009, 2010-009

Reconciliation (Repeat Finding)

Finding Summary: Reconciliations are not performed between the County Clerk’s Appropriation Ledger and the Treasurer’s General Ledger.

Status: Not Corrected – Recurring due to the County Clerk not reconciling with the County Treasurer. However, as of July 1, 2019, the County Clerk created a reconciliation form to compare the Clerk’s Appropriations Ledger balances to the County Treasurer’s General Ledger balances. This form has indication of review by someone other than the preparer and is signed by representatives of both the County Clerk and County Treasurer’s offices.

Finding 2008-010, 2010-010

Bank Reconciliation and Accounts not on General Ledger (Repeat Finding)

Finding Summary: There is no indication of review of the bank reconciliations by someone other than the preparer. The Electronic Federal Tax Payment System (EFTPS) account is not being reconciled and the Fairboard’s CD #13533 is issued under the County’s tax identification number (EIN), but is not accounted for on the General Ledger.

Status: Fully Corrected.

Finding 2006-005, 2007-005, 2008-012, 2010-011

Lack of Controls – Sheriff’s Office (Repeat Finding)

Finding Summary: There is a lack of segregation of duties, monitoring, and oversight over the collection, receipting, and bookkeeping functions within the County Sheriff’s office. Multiple receipt books are use within the Sheriff’s office for the receipting of collections. Receipts are first handwritten on pre-numbered receipt books and then entered into the computer. Because multiple books are used and books are not always in sequential order, deposits could not be traced to receipts issued to ensure the accuracy of deposit. Deposits are not made daily.

Status: Fully Corrected

Finding 2006-003, 2007-003, 2008-013, 2010-012
Purchasing (Repeat Finding)

Finding Summary: Purchase orders are not always timely encumbered.

Status: Not Corrected –We will discuss with employees and elected officials the importance of encumbering prior to the ordering of goods or services.

Finding 2010-018
Budgeted Expenditures (Repeat Finding)

Finding Summary: \$308,645.04 in expenditures classified as payroll were disbursed from the General Fund Sheriff - M&O, DOC/BOP – M&O, and Sheriff's Cash Fee M&O.

Status: Fully Corrected

Finding 2008-022, 2010-019
Segregation of Duties - Purchasing

Finding Summary: A lack of segregation of duties exists in the purchasing department of the County Clerk's Office.

Status: Not Corrected – Recurring due to lack of personnel and funding in the County Clerk's office. However, we were able to hire additional staff and we have now implemented procedures to ensure that following the encumbrance the purchase order is audited, reviewed, reconciled, signed and dated by County Clerk staff members other than the purchasing agent.

FEDERAL AUDIT FINDINGS

Finding 2008-005, 2010-005
Schedule of Expenditures of Federal Awards (Repeat Finding)

Pass-Through Grantor: Oklahoma Department of Emergency Management and Oklahoma Department of Health

Federal Agency: United States Department of Homeland Security and Corporation for National and Community Service

CFDA No: 97.036 and 94.016

Federal Program Name: Disaster Grants - Public Assistance (Presidentially Declared Disasters), Senior Companion Program

Federal Grant Award Number: 1876 and 1883

Federal Award Year: 2010

Control Category: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Eligibility; Matching, Level of Effort, Earmarking; Period of Availability of Federal Funds; Procurement and Suspension and Debarment; Program Income; Reporting; Subrecipient Monitoring, and Special Tests and Provisions

Questioned Costs: \$-0-

Finding Summary: The County has not designed and implemented formal procedures for the reporting of its federal programs as required by OMB Circular A-133. Also, the County has not designed an accounting system or year-end process to accumulate and report its "in-kind" labor and equipment charges reported on the Schedule of Expenditures of Federal Awards.

Federal expenditures as reported on the Schedule of Expenditures of Federal Awards were understated by \$181,073 due to the Disaster Grants – Public Assistance expenditures being overstated by \$800 and the Senior Companion Program expenditures of \$181,873 being left off the schedule.

Status: Not corrected and no action taken as Federal expenditures were understated by \$57,837 and the County could not provide documentation to support \$16,431 in federal expenditures for CFDA 97.036 Disaster Grants – Public Assistance (Presidentially Declared Disasters) – DR 4315 (PW 66 and PW 131). We plan on discussing this matter with all department in our quarterly meeting beginning 9/1/2020 in hopes to getting this resolved.

O·K·L·A·H·O·M·A
SAI
STATE AUDITOR & INSPECTOR



Cindy Byrd, CPA | State Auditor & Inspector

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