



HASKELL COUNTY

Financial Report

For the fiscal year ended June 30, 2021

Cindy Byrd, CPA
State Auditor & Inspector

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

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



June 30, 2023

TO THE CITIZENS OF
HASKELL COUNTY, OKLAHOMA

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

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

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

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

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

Sincerely,

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

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

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

Board of County Commissioners

District 1 – Clark McClary
District 2 – Larry Watson
District 3 – Billy Don Cloud

County Assessor

Shawna Hudspeth

County Clerk

Karen McClary

County Sheriff

Tim Turner

County Treasurer

Gayla Orr

Court Clerk

Tina Oaks

District Attorney

Chuck Sullivan

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

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 4

 Notes to the Financial Statement..... 5

SUPPLEMENTARY INFORMATION

 Comparative Schedule of Expenditures—Budget and Actual—Budgetary Basis—General Fund..... 12

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

 Note to Supplementary Information..... 14

 Schedule of Expenditures of Federal Awards 15

 Notes to the Schedule of Expenditures of Federal Awards 16

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..... 17

Independent Auditor's Report on Compliance for Each Major Federal Program
and Report on Internal Control Over Compliance Required by the Uniform Guidance..... 19

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

INTERNAL CONTROL AND COMPLIANCE SECTION - CONTINUED

Schedule of Findings and Questioned Costs.....	22
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
HASKELL COUNTY, OKLAHOMA

Report on the Financial Statement

We have audited the total—all county funds on the accompanying regulatory basis Statement of Receipts, Disbursements, and Changes in Cash Balances of Haskell County, Oklahoma, as of and for the year ended June 30, 2021, and the related notes to the financial statement, which collectively comprise the County's basic financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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

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

As described in Note 1, the financial statement is prepared by Haskell 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 Haskell County as of June 30, 2021, or changes in financial position for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

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

Other Matters

Supplementary Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2023, on our consideration of Haskell 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 Haskell County's internal control over financial reporting and compliance.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

April 27, 2023

REGULATORY BASIS FINANCIAL STATEMENT

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

	Beginning Cash Balances July 1, 2020	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2021
County Funds:						
County General	\$ 812,153	\$ 4,538,785	\$ 18,000	\$ 63,483	\$ 2,792,594	\$ 2,512,861
Gross Revenue - Operations and Expenses	3	-	-	-	-	3
Gross Revenue - Bond	109	521,378	44,478	-	560,694	5,271
County Highway Unrestricted	448,566	1,783,128	70,569	-	2,104,462	197,801
Health	237,567	143,599	-	-	242,039	139,127
Resale Property	243,042	103,252	819	18,000	44,814	284,299
County Clerk Lien Fee	23,532	3,080	-	-	7,133	19,479
Treasurer Mortgage Certification	25,552	1,814	67	-	2,711	24,722
Sheriff Service Fee	165,337	189,318	-	-	100,565	254,090
Community Service Program	309	-	-	-	-	309
County Clerk Records Management & Preservation	51,342	30,909	-	-	29,914	52,337
County Bridge & Road Improvement	749,203	2,261,023	-	-	2,587,782	422,444
County Sinking Fund	5,899	800	-	-	-	6,699
Lake Patrol	23,507	37,954	17,968	-	47,057	32,372
Assessor Revolving Fee	5,407	3,010	-	-	1,228	7,189
Jail	14,775	58,474	-	-	13,100	60,149
Emergency Management	372	-	-	-	-	372
Sheriff Drug Buy	10,202	23	-	-	1,995	8,230
County Donations	16,200	1,748	-	-	5,168	12,780
Rural Fire-ST	576,616	262,365	-	-	168,790	670,191
Sheriff Commissary	21,099	75,039	-	-	29,108	67,030
Reward Fund	-	500	-	-	-	500
Sheriff Board of Prisoners	-	36,602	-	-	-	36,602
Sheriff McCurtain Inter-Agency	-	4,500	-	-	-	4,500
Oklahoma Bar Foundation Court Donations	-	8,424	-	-	-	8,424
CIRB-MV	-	357,352	-	70,569	-	286,783
Total - All County Funds	\$ 3,430,792	\$ 10,423,077	\$ 151,901	\$ 152,052	\$ 8,739,154	\$ 5,114,564

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

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

1. Summary of Significant Accounting Policies

A. Reporting Entity

Haskell County is a subdivision of the State of Oklahoma created by the Oklahoma Constitution and regulated by Oklahoma Statutes.

The accompanying financial statement presents the receipts, disbursements, and changes in cash balances of the total of all funds under the control of the primary government. The general fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund, where its use is restricted for a specified purpose. Other funds established by statute and under the control of the primary government are also presented.

The County Treasurer collects and remits material amounts of intergovernmental revenues and ad valorem tax revenue for other budgetary entities, including emergency medical districts, libraries, school districts, and cities and towns. The cash receipts and disbursements attributable to those other entities do not appear in funds on the County's financial statement; those funds play no part in the County's operations. Any trust or agency funds maintained by the County are not included in this presentation.

B. Fund Accounting

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

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

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

Gross Revenue – Operations and Expenses – accounts for sales tax revenue and the disbursement of funds as restricted by the sales tax ballot/agreement for the criminal justice facility.

Gross Revenue – Bond – accounts for sales tax revenue and the disbursement of funds as restricted by the sales tax ballot/agreement for the criminal justice facility.

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

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 operation of the county health department.

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

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

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

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

Sheriff Service Fee – accounts for the collection of sheriff process service fees and court fees. Proceeds are to be used for the lawful operation of the sheriff’s office and courthouse security as restricted by state statute.

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

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

County Bridge & Road Improvement – accounts for monies collected through the Oklahoma Tax Commission for the purpose of bridge repair and road resurface.

County Sinking Fund – 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.

Lake Patrol – accounts for monies received from the Corps of Engineers for patrolling services.

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

Jail – accounts for monies received for housing prisoners to be used for jail operating expenses.

Emergency Management – accounts for the receipt and disbursement of funds donated for civil defense purposes.

Sheriff Drug Buy – accounts for local contributions, grants, or drug forfeitures and is used for payments for confidential informants or purchases of illegal drugs in sting operations.

County Donations – accounts for funds donated to Haskell County to be disbursed specifically for which the donation was made.

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

Rural Fire-ST – accounts for the collection of sales tax revenue and the disbursement of funds for the operation of the fire departments.

Sheriff Commissary – accounts for the collection of the sale of items to inmates and disbursements to improve or provide jail services and any surplus funds may be expended for administering expenses for training equipment, travel, or for capital expenditures.

Reward Fund – accounts for fines assessed upon convicted individuals to be used for the investigation and mitigation of illegal dumping.

Sheriff Board of Prisoners – accounts for monies received by the Sheriff’s office for housing a prisoner for Tribes and other counties. Disbursements are for jail operating expenses.

Sheriff McCurtain Inter-Agency – accounts for monies received by the Sheriff’s office for contract police services for the City of McCurtain. Disbursements are for labor plus maintenance and operations for police services.

Oklahoma Bar Foundation Court Donations – accounts for the receipt and disbursement of funds as restricted by the grant agreement.

CIRB-MV – accounts for the monies received from the Oklahoma Tax Commission to off-set revenue impacts due to the economic conditions stemming from the COVID-19 Pandemic.

C. Basis of Accounting

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

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

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

D. Budget

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

E. Cash and Investments

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

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

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

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

2. Ad Valorem Tax

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

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

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

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

3. Other Information

A. Pension Plan

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

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

B. Other Post Employment Benefits (OPEB)

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

C. Contingent Liabilities

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

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

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

D. Sales Tax

Sales Tax of February 7, 1984

In a special election held February 7, 1984, the voters of Haskell County approved a permanent one percent (1%) sales tax. One hundred percent (100%) of the sales tax proceeds are to be used for general government. These funds are accounted for in the County General fund.

Sales Tax of November 8, 2005

In a special election held November 8, 2005, the voters of Haskell County approved a one-half of one cent (1/2%) sales tax. This tax will terminate after twenty-five (25) years from the effective date of the tax or at the date of retirement of any debt incurred related thereto, whichever is earlier. The sales tax was established for the acquisition, remodeling, construction, financing, furnishing, and equipping of a new county jail and criminal justice facility to be located in Haskell County, parking lots, streets and other capital facilities associated therewith, including design, construction, capital improvements, expenses, operations, equipment, fixtures and furnishings; with one-fourth (1/4) of the one-half (1/2) cent to provide for the maintenance and operations of said facilities; authorizing the pledging of said sales tax for debt service; fixing an effective date; making provisions severable; and declaring an emergency. These funds are accounted for in the Gross Revenue - Bond fund.

Sales Tax of February 8, 2011

In a special election held February 8, 2011, the voters of Haskell County approved a permanent one quarter percent (1/4%) sales tax. The sales tax was established for the purpose of providing funding for the fire departments in the following communities: Brooken, Hoyt, Keota, Kinta, LeQuire, Lona Valley, McCurtain, Southside, Stigler, Tamaha, Whitefield or others herein established, for such fire protection as may be deemed necessary by the Board of County Commissioners. These funds are accounted for in the Rural Fire-ST fund.

Sales Tax of February 11, 2014

In a special election held February 11, 2014, the voters of Haskell County approved a permanent one quarter percent (1/4%) sales tax. One hundred percent (100%) of the sales tax proceeds are to provide revenues to Haskell County, to be appropriated by the Board of County Commissioners for the purpose of providing general government operation funding for the County of Haskell as may be deemed necessary by the Board of County Commissioners. These funds are accounted for in the County General fund.

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

E. Interfund Transfers

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

- \$44,478 from the County General fund to the Gross Revenue - Bond fund to be used for bond payment shortages.
- \$18,000 from the Resale Property fund to the County General fund to meet payroll obligations.
- \$70,569 from the CIRB-MV fund to the County Highway Unrestricted fund as part of the County's conversion to a new framework for the systematic reporting and accounting of county government transactions (Chart of Accounts).
- \$19,005 from the County General fund's sub account for COVID Aid & Relief to the following funds for reimbursement of covid related expenditures.

Fund	Amount
Resale Property fund	\$819
Treasurer Mortgage Certification fund	\$67
Lake Patrol fund	\$17,968
Court Clerk Revolving (Trust & Agency fund)	\$151

SUPPLEMENTARY INFORMATION

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

	General Fund		
	Budget	Actual	Variance
County Sheriff	\$ 432,512	\$ 423,457	\$ 9,055
County Treasurer	144,944	144,942	2
OSU Extension	28,000	4,077	23,923
County Clerk	121,000	118,773	2,227
Court Clerk	93,825	91,241	2,584
County Assessor	87,701	86,855	846
Assessor's Visual Inspection	156,665	148,360	8,305
General Government	2,152,633	667,523	1,485,110
Excise-Equalization Board	4,000	2,706	1,294
County Election Board	103,149	98,219	4,930
Emergency Management	35,073	32,099	2,974
County Jail	362,848	356,954	5,894
Coronavirus Aid Relief Fund	594,909	3,955	590,954
Sheriff Dispatch Salaries - Sales Tax	289,882	289,882	-
General Government Sales Tax	1,188,851	273,472	915,379
Jail Sales Tax (2014 Quarter Cent ST)	252,752	8,500	244,252
County Audit Budget Account	22,643	-	22,643
Total Expenditures, Budgetary Basis	\$ 6,071,387	\$ 2,751,015	\$ 3,320,372

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

	Health Fund		
	Budget	Actual	Variance
Health and Welfare	\$ 353,964	\$ 254,360	\$ 99,604
Total Expenditures, Budgetary Basis	\$ 353,964	\$ 254,360	\$ 99,604

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

1. Budgetary Schedules

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

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. DEPARTMENT OF DEFENSE			
Direct Grant:			
Payments to States in Lieu of Real Estate Taxes	12.112		\$ 22,328
Total U.S. Department of Defense			<u>22,328</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed Through Oklahoma State Department of Commerce:			
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	17172 CDBG 17	136,364
Total U.S. Department of Housing and Urban Development			<u>136,364</u>
U.S. DEPARTMENT OF THE INTERIOR			
Direct Grant:			
Payments in Lieu of Taxes	15.226		95,979
Total U.S. Department of The Interior			<u>95,979</u>
U.S. DEPARTMENT OF JUSTICE			
Passed Through Oklahoma District Attorneys Council:			
COVID-19 Coronavirus Emergency Supplemental Funding Program	16.034	20E029	49,308
Direct Grant:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738		1,400
Total U.S. Department of Justice			<u>50,708</u>
U.S. DEPARTMENT OF THE TREASURY			
Passed Through the Oklahoma Office of Management and Enterprise Services:			
COVID-19 Coronavirus Relief Fund	21.019	SA-0182	613,944
Total U.S. Department of The Treasury			<u>613,944</u>
Total Expenditures of Federal Awards			<u>\$ 919,323</u>

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

Basis of Presentation

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

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

Eligible Expenditures Incurred in the Prior Fiscal Year

On March 27, 2020, the President of the United States signed the COVID-19 Relief Bill into law. Haskell County received \$613,944 in federal relief funds. The County incurred \$348,806 in eligible expenditures in the prior year ending June 30, 2020. These eligible expenditures were from March 16, 2020, through June 30, 2020, and were accounted for in the County's June 30, 2020, financial statements. Therefore, expenditures on the schedule of expenditures of federal awards for ALN 21.019 – Coronavirus Relief Fund includes \$348,806 in eligible expenditures incurred in the fiscal year ending June 30, 2020, and all eligible expenditures totaling \$265,138 that were incurred in the fiscal year ending June 30, 2021.

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
HASKELL COUNTY, OKLAHOMA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the total—all county funds of the accompanying Statement of Receipts, Disbursements, and Changes in Cash Balances of Haskell County, Oklahoma, as of and for the year ended June 30, 2021, and the related notes to the financial statement, which collectively comprise Haskell County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated April 27, 2023.

Our report included an adverse opinion on the financial statement because the statement is prepared using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County as of and for the year ended June 30, 2021, on the basis of accounting prescribed by Oklahoma state law, described in Note 1.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered Haskell County's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of Haskell County's internal control. Accordingly, we do not express an opinion on the effectiveness of Haskell County's internal control.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses: 2021-001, 2021-003, and 2021-004.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies: 2021-002.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Haskell County's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2020-003.

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

Haskell County's Response to Findings

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

Purpose of this Report

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



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

April 27, 2023



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

TO THE OFFICERS OF
HASKELL COUNTY, OKLAHOMA

Report on Compliance for Each Major Federal Program

We have audited the compliance of Haskell County, Oklahoma, with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Haskell County's major federal program for the year ended June 30, 2021. Haskell County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

Opinion on Each Major Federal Program

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

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2021-017. Our opinion on the major federal program is not modified with respect to this matter.

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

Report on Internal Control Over Compliance

Management of Haskell 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 Haskell 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 Haskell 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, as described in the accompanying schedule of findings and questioned costs as items 2021-015 and 2021-016, 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, as described in the accompanying schedule of findings and questioned costs as item 2021-017, to be significant deficiencies.

Haskell County's Response to Findings

Haskell 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. Haskell County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

April 27, 2023

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

SECTION 1—Summary of Auditor’s Results

Financial Statements

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

Internal control over financial reporting:

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

Noncompliance material to the financial statement noted? Yes

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?..... Yes
- Significant deficiency(ies) identified? 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>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
21.019	Coronavirus Relief Fund

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

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

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

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

Finding 2021-001 – Lack of County-Wide Internal Controls (Repeat Finding – 2007-020, 2008-015, 2009-019, 2010-001, 2011-001, 2012-001, 2016-001, 2017-001, 2018-001, 2019-001, 2020-001)

Condition: Through the process of gaining an understanding of the County’s internal control structure, it was noted that county-wide controls regarding 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 that an adequate system of county-wide controls exist.

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

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

Management Response:

Chairman of the Board of County Commissioners: Haskell County will design and implement a system of county-wide procedures to address the importance of internal controls, address risks and ensure that the information is communicated effectively.

County Treasurer: My plans are to get with the other county officials and implement a county wide system of procedures, stress the importance of internal controls, and explain the financial statement. Also, to have procedures in place for monitoring performance, and request them to be added to our handbook.

County Clerk: The County Clerk will discuss internal controls with the other elected officials in quarterly meetings and will address these conditions to improve controls regarding control environment, risk assessment, information and communication, 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.

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

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

Definition of Internal Control

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

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

Components, Principles, and Attributes

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 2021-002 – Lack of Internal Controls Over Information Technology – County Clerk and Treasurer’s Office (Repeat Finding - 2010-003, 2011-003, 2012-003, 2016-003, 2017-003, 2018-002, 2019-002, 2020-002)

Condition: Upon review of the computer systems within the office of the County Clerk and County Treasurer, it was noted that there does not appear to be adequate internal controls in place to safeguard data from unauthorized modification, loss, or disclosure. The specifics of the condition have been sanitized to protect the County pursuant to the provision of 51 O.S. § 24A.28.

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

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

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.

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

Management Response:

County Clerk: We will work towards protecting and safeguarding data.

County Treasurer: The Treasurer's office will implement the necessary controls.

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

Finding 2021-003 — Lack of Internal Controls and Noncompliance Over the Disbursement Process (Repeat Finding – 2007-005, 2008-005, 2009-005, 2010-008, 2011-008, 2012-008, 2016-006, 2017-006, 2018-003, 2019-003, 2020-003)

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

- The County Clerk does not have an adequate segregation of duties regarding the cash voucher process to ensure that duties assigned to individuals are done so in a manner that would not allow one individual to control both the recording function and the procedures relative to processing a transaction. One employee reviews cash voucher claims for accuracy, approves the claims, and prints, signs/approves, and distributes cash vouchers.
- Requisitioning officers do not sign purchase orders until after the purchase has been encumbered, goods and/or services have been received, and all documentation has been turned in to and reviewed by the County Clerk's office.
- All County Clerk employees have access to the blank warrant stock.
- The County Clerk's office has access to District 1 County Commissioner's signature stamp. The signature stamp is not under the physical control of the County Commissioner.

Additionally, of the forty-two (42) disbursements tested, the following exceptions were noted:

- One (1) was not reviewed / authorized.
- Two (2) were not supported by adequate documentation including a signed timesheet.
- Seven (7) were not encumbered prior to ordering 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 cash voucher process and control over the County Commissioner's signature stamp. Additionally, policies and procedures have not been designed and implemented to ensure the County is in compliance with state statute regarding the disbursement process.

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

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. If 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.

- Purchase orders should be signed by requisitioning officers prior to being encumbered by the County Clerk's office.
- The blank warrant stock should be maintained in a secure location with limited access.

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, supported by adequate documentation, and reviewed and authorized. Additionally, timesheets should be signed by the employee and supervisor.

Further, OSAI recommends that signature stamps be used only by the official to whom it belongs. Officials who utilize signature stamps should ensure that signature stamps are adequately safeguarded from unauthorized use.

Management Response:

County Clerk:

- The 1st Deputy will review cash voucher claims. The 2nd Deputy will approve the claims and the 1st Deputy will print cash vouchers. The County Clerk will approve cash vouchers and the 1st Deputy will distribute them.
- We will discuss with requisitioning officers that they must sign purchase orders before goods and services are received.
- Blank warrants will be locked in a cabinet with access limited to the County Clerk and 1st Deputy.
- Signature stamps will only be used by the official to whom it belongs.
- We will remind all offices to encumber purchase orders before ordering goods and services.

Chairman of the Board of County Commissioners: Haskell County will determine if duties can be properly segregated. If this is not possible, we will separate key processes and critical functions and have management review and approve functions. Haskell County will make sure that purchase orders are signed by requisitioning officer before being encumbered. Blank warrant stock will be moved to a secure location with limited access. All signature stamps will only be used by the official to whom it belongs and adequately safeguarded from unauthorized use. All purchase orders will be encumbered before goods or services are ordered and all timesheets will be signed by the employee and supervisor.

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

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.

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

Finding 2021-004 – Lack of Segregation of Duties Over the Payroll Process (Repeat Finding – 2007-003, 2008-003, 2009-003, 2010-012, 2011-012, 2012-012, 2016-007, 2017-007, 2018-004, 2019-004, 2020-004)

Condition: Upon inquiry and observation of the payroll process, it was noted that the County Clerk does not have an adequate segregation of duties to ensure that duties assigned to individuals are done so in a manner that would not allow one individual to control both the recording function and the procedures relative to processing a transaction.

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

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

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

Recommendation: OSAI recommends management be aware of these conditions and determine if duties can be properly segregated. If 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.

Management Response:

County Clerk: I will begin reviewing new employees added to the system and all payroll changes made in the system by my 1st Deputy. I will segregate the duties associated with payroll warrants. My 1st Deputy will print payroll warrants and my 2nd Deputy will distribute them. We will limit access to personnel files to be kept in a locked room.

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.

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

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

Finding 2021-015 – Lack of County-Wide Controls Over Major Federal Programs – Coronavirus Relief Fund

PASS THROUGH GRANTOR: Oklahoma Office of Management and Enterprise Services

FEDERAL AGENCY: U.S. Department of the Treasury

ASSISTANCE LISTING: 21.019

FEDERAL PROGRAM NAME: Coronavirus Relief Fund

FEDERAL AWARD NUMBER: SA-0182

FEDERAL AWARD YEAR: 2020

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

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 is in compliance with grant requirements.

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

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

Management Response:

Chairman Board of County Commissioners: Haskell County will develop policies and procedures that will help ensure compliance with grant requirements.

Criteria: The GAO Standards – Section 1 – Fundamental Concepts of Internal Controls – 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.

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

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 2021-016 – Lack of Internal Controls Over Major Federal Programs – Coronavirus Relief Fund

PASS THROUGH GRANTOR: Oklahoma Office of Management and Enterprise Services

FEDERAL AGENCY: U.S. Department of the Treasury

ASSISTANCE LISTING: 21.019

FEDERAL PROGRAM NAME: Coronavirus Relief Fund

FEDERAL AWARD NUMBER: SA-0182

FEDERAL AWARD YEAR: 2020

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

QUESTIONED COSTS: \$-0-

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

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

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

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

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

Management Response:

Chairman of the Board of County Commissioners: Haskell County will gain an understanding of all of the requirements of this program and implement control procedures that ensure compliance with requirements.

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

Definition of Internal Control

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

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

The non-Federal entity must:

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

Finding 2021-017 – Noncompliance Over Major Federal Programs – Coronavirus Relief Fund – Activities Allowed or Unallowed and Allowable Costs/Cost Principles

PASS THROUGH GRANTOR: Oklahoma Office of Management and Enterprise Services

FEDERAL AGENCY: U.S. Department of the Treasury

ASSISTANCE LISTING: 21.019

FEDERAL PROGRAM NAME: Coronavirus Relief Fund

FEDERAL AWARD NUMBER: SA-0182

FEDERAL AWARD YEAR: 2020

CONTROL CATEGORY: Activities Allowed or Unallowed; Allowable Costs/Cost Principles

QUESTIONED COSTS: \$27,025

Condition: During the review of 100% of federal disbursements totaling \$613,944 the following was noted:

- Eleven (11) payroll disbursements totaling \$24,359 were not supported by adequate documentation (payroll affidavit/wage sheet).
- One (1) payroll disbursement in the amount of \$2,666 was found to be ineligible as the employee’s last date of employment was February 28, 2020, and the amount paid was for holiday and vacation pay that was accrued prior to the grant period.

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

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

Effect of Condition: These conditions resulted in noncompliance with federal grant requirements.

Recommendation: OSAI recommends the County gain an understanding of requirements for federal programs and implement internal controls to ensure compliance with those requirements.

Management Response:

Chairman of the Board of County Commissioners: Haskell County will try to gain a better understanding of requirements for federal programs and implement internal controls to make sure the county stays in compliance with those requirements.

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

The non-Federal entity must:

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

2 CFR § 200.403 - *Factors affecting allowability costs* states in part,

Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

(g) Be adequately documented.

Additionally, guidance provided in the Subrecipient Agreement - *Federal Funding Certification* executed 5/29/20 between Haskell County and the State of Oklahoma states in part,

5. Funds provided as a direct payment from the State of Oklahoma pursuant to this certification must adhere to official federal guidance issued or to be issued on what constitutes a necessary expenditure. Any funds expended by a political subdivision or its grantee(s) in any manner that does not adhere to official federal guidance or in violation of this certification shall be returned to the State of Oklahoma Coronavirus Relief Fund.

6. Any local government entity receiving funds pursuant to this certification shall retain documentation of all uses of the funds...

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

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

Finding 2021-005 — Noncompliance Over Revenue Dedicated to General Government Operation Funding – Sales Tax (Repeat Finding)

Condition: On February 11, 2014, the citizens of Haskell County voted on and approved levying a sales tax of one-quarter percent (0.25%) upon the gross proceeds of the receipts derived from all sales taxable under the Oklahoma sales tax code. The purpose of the sales tax proceeds is to provide revenues to the County to be appropriated by the Board of County Commissioners (BOCC) for the purpose of providing general government operation funding for the County as deemed necessary by the BOCC.

In accordance with the Sales Tax Agreement dated June 1, 2014, by and between the Haskell County Public Facilities Authority (the Authority) and Haskell County, in addition to a one-half of one percent (1/2) sales tax that was previously pledged and allocated to the Authority, the County also pledged a one-fourth of one percent (1/4) sales tax that became effective July 1, 2014, that was for the purpose of providing general government operation funding. The County agreed to pledge to the Authority all its rights, title, and interest in said sales tax revenues to repay any and all indebtedness incurred in regard to the Bonds or other subsequent indebtedness, included but not limited to administration cost, audit fees, consultant fees, expenses of the Authority and legal fees of the Authority.

Based on the information, OSAI finds no authority for the BOCC to enter into an agreement with the Haskell County Public Facilities Authority to pledge sales tax revenues for the payment of the Authority’s indebtedness from the revenue that was specifically dedicated for the purpose of providing general government operation funding for the County as approved by the citizens of Haskell County. This agreement was still in effect during the fiscal year ended June 30, 2021.

Cause of Condition: The County did not follow provisions of the Oklahoma Constitution regarding dedication of the levied sales tax for the purpose of providing general government operation funding.

Effect of Condition: This condition resulted in the County pledging sales tax collections for a purpose other than the specified purpose approved by the citizens of Haskell County. Further, this condition could have resulted in a loss of funding for the general government operations of the County.

Recommendation: OSAI recommends that the BOCC implement policies and procedures to ensure that dedicated funds are appropriated and expended for the purpose intended.

Management Response:

Chairman of the Board of County Commissioners: Haskell County plans to implement policies and procedures to ensure that dedicated funds are expended for the purpose intended.

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

Criteria: Article 10 § 19 Oklahoma Constitution states:

“Every act enacted by the Legislature, and every ordinance and resolution passed by any county, city, town, or municipal board or local legislative body, levying a tax shall specify distinctly the purpose for which said tax is levied, and no tax levied and collected for one purpose shall ever be devoted to another purpose.”

Finding 2021-006 - Lack of Segregation of Duties Over the Collection and Expenditure Processes – Court Clerk (Repeat Finding)

Condition: Upon inquiry and observation of the Court Clerk’s collection and expenditure process, it was noted that the Court Clerk does not have an adequate segregation of duties to ensure that duties assigned to individuals are done so in a manner that would not allow one individual to control both the recording function and the procedures relative to processing a transaction. Additionally, the Court Clerk has access to the Associate Judge’s signature stamp.

Cause of Condition: Policies and procedures have not been designed and implemented to adequately segregate the duties of the receipting and expenditure processes within the office of the Court Clerk.

Effect of Condition: A single person having responsibility for more than one area of recording, authorization, custody of assets, and execution of transactions could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of funds.

Recommendation: OSAI recommends that procedures be designed and implemented to separate key functions of the receipting and expenditure processes. If a 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.

In addition, OSAI recommends that signature stamps be used only by the official to whom it belongs. Officials who utilize signature stamps should ensure that signature stamps are adequately safeguarded from unauthorized use.

Management Response:

Court Clerk:

- Defined Job Duties: Because of the limited number of employees (Clerk and 2 deputies), we do not have defined job duties. All employees must be able to receipt money. All employees open mail but keep separate mail logs. Whoever is available will prepare the deposits. Two people will sign off on the deposit, and in the future, if a different person is available, they will take the deposit to the Treasurer’s office.
- Cash drawer: In the past we have always worked from one cash drawer. In the future, we will implement the policy of a separate cash drawer for each employee.
- Deposits: The deposit will be counted by two employees (if two are available) and signed off by each employee.

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

- Access to safe: Each employee must have access to the safe. The office has only one safe. The safe is also used to store passport transmittal sheets. Each employee is a certified passport agent, and we are required to store the transmittal sheets in locked storage.
- Court Fund Expenditure Process: The court fund claims are approved by the District Judge and Associate District Judge before the vouchers are prepared. The Keli Court System is accessed from the Court Clerk's assigned computer exclusively. In the future, I will prepare the voucher, and will make every effort to have the 1st deputy sign every court fund voucher. I then will distribute the vouchers.
- Access to Associate District Judge's signature stamp: This stamp is used with the permission of Judge Henderson to stamp copies of filings for convenience of the Judge and attorneys. This stamp has never been used for financial records (claims, reports, etc.).

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.

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

Finding 2021-007 - Lack of Internal Controls and Noncompliance Over the Inmate Trust Fund Checking Account and Sheriff Commissary Fund (Repeat Finding)

Condition: Upon inquiry of County personnel, observation, and review of documents regarding the Inmate Trust Fund Checking Account and Sheriff Commissary Fund, the following weaknesses were noted:

- Duties are not properly segregated: One employee has the ability to collect money, issue receipts, prepare deposits, take deposits to the bank, issue checks, and prepare reconciliations.
- The Sheriff's office does not have current contracts with the commissary and inmate phone card vendors that have been approved by the BOCC.
- The Sheriff's office does not prepare or 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.
- Deposits to the Inmate Trust checking account are not made daily in accordance with state statute.
- The Sheriff's Administrative Assistant is in possession of, and occasionally used the Sheriff's signature stamp as a second signature on Inmate Trust Fund Checking Account checks. In addition, the signature stamp is not registered with the Secretary of State in accordance with state statute.
- Inmate ledger balances are not reconciled to the bank statement.
- The County Sheriff does not have a policy or procedures in place for unclaimed inmate funds.

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

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

Recommendation: OSAI recommends the following:

- Establish procedures to separate the key functions of the receipting, depositing, reconciliation and expenditure processes over the Inmate Trust Fund Checking Account.
- All contracts should be renewed and approved by the Board of County Commissioners yearly.
- The County Sheriff should file a report of the Commissary with the Board of County Commissioners by January 15th, of each year in accordance with 19 O.S. § 180.43 D.
- All monies collected should be deposited on a daily basis. in accordance with 19 O. S § 682.
- Signature stamps should only be used by the official to whom it belongs. Officials who utilize a signature stamp should ensure that signature stamp is adequately safeguarded from unauthorized use. In addition, signature stamps should be registered with the Oklahoma Office of the Secretary of State in accordance with 62 O.S. § 602.
- Inmate Trust Fund monies should be maintained in a manner that reflects each inmate's trust deposits, disbursements, and account balances. The inmate's ledger balances should be reconciled to the bank statements each month.
- The Sheriff's office should design and implement procedures to address unclaimed Inmate Trust Fund monies in accordance with 22 O.S. § 1325(F, H).

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

Management Response:

County Sheriff:

- We have established procedures regarding segregation of duties by requiring at least two staff members review and sign off on all deposits, reconciliations, and expenditures.
- We have contacted our commissary and inmate phone card vendors for updated contracts to be obtained and processed.
- Beginning this year, we will prepare and file a report of the commissary with the Board of County Commissioners by January 15, 2023, and each year following.
- We are making more frequent deposits and working towards the goal of daily deposits for all monies collected.
- We are no longer using signature stamps.
- We are in the process of initiating ledgers for inmate trust fund monies that reflect each inmates' deposits, disbursements, and account balances. The Jail Administrator will maintain the daily ledgers. The Administrative Assistant will be responsible for reconciling the ledgers to the bank statements each month. Reconciliations will require at least two staff member signatures when processed.
- We are in the process of designing and implementing procedures to address previous unclaimed inmate trust fund monies.

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.

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

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.

Title 19 O.S. § 180.43D requires that an annual report of the Sheriff’s Commissary be submitted to the Board of County Commissioners by January 15th 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’,” and, “The county sheriff shall deposit all monies collected from inmates incarcerated in the county jail into this checking account and may write checks to the Sheriff’s Commissary Account for purchases made by the inmate during his or her incarceration and to the inmate from unencumbered balances due the inmate upon his or her discharge.”

Title 19 O.S. § 682 prescribes the procedures for depositing daily.

Title 22 O.S. § 1325(F, H) prescribes the procedures for handling unclaimed property.

Title 62 O.S. § 602 states, “Any authorized officer, after filing with the Secretary of State his manual signature certified by him under oath, may execute or cause to be executed with a facsimile signature in lieu of his manual signature any public security, or any certificate thereon or thereto. Upon compliance with this act by the authorized officer, his facsimile signature has the same legal effect as his manual signature.”

Finding 2021-019 - Lack of Internal Controls and Noncompliance Over Estimate of Needs

Condition: Upon review of the Estimate of Needs for the County General fund, it was noted that the County’s budgeted revenues and cash balances exceeded the County’s budgeted appropriations in the amount of \$1,054,982.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure the Estimate of Needs is accurately completed.

Effect of Condition: These conditions resulted in noncompliance with state statute and an incomplete and inaccurate Estimate of Needs being approved.

Recommendation: OSAI recommends the County review the Estimate of Needs prior to approval to ensure that financial information is accurately presented.

Management Response:

Chairman of the Board of County Commissioners: In the future the County will review the Estimate of Needs prior to approval of the budget by the Board of County Commissioners and Excise Board to ensure that financial information is accurately presented.

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

County Clerk: The County Clerk will work closely with the County Commissioners, Excise Board and Treasurer to complete an accurate Estimate of Needs to be in compliance with state statute.

County Treasurer: In the future we will review the Estimate of Needs before it gets approved to make sure it's correct.

Criteria: The GAO Standards – Section 2 – Objective of an Entity - OV2.23 states in part:

Compliance Objectives

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

Further, GAO Standards – Principle 6 – Defined 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 structure, organizational structure, and expectations of competence as part of the control environment.

Additionally, Title 68 O.S. § 3002 (A) states in part, "...each board of county commissioners...shall prior to October 1 of each year, make, in writing, a financial statement, showing the true fiscal condition of their respective political subdivisions as of the close of the previous fiscal year ended June 30th, and shall make a written itemized statement of estimated needs and probable income from all sources including ad valorem tax for the current fiscal year. Such financial statements shall be supported by schedules or exhibits showing, by classes, the amount of all receipts and disbursements, and shall be sworn to as being true and correct..."

APPENDIX A

CORRECTIVE ACTION PLAN

(Prepared by County Management)

Haskell County
 105 SE 3rd St Unit C
 Stigler, OK 74462
 Clark McClary District #1 Commissioner
 Larry Watson District #2 Commissioner
 Billy Cloud District #3 Commissioner

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

Finding No.	Title (Financial) or Assistance Listing No. (formerly CFDA No.) & Program Name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2021-001	Lack of County-Wide Internal Controls	Haskell County will design and implement a system of county-wide procedures to address the importance of internal controls, address risks, and ensure that information is communicated effectively.	12/31/2023	Clark McClary, BOCC Chair
2021-002	Lack of Internal Controls Over Information Technology – County Clerk and County Treasurer	Although the condition of this finding has been sanitized to protect the County pursuant to the provision of 51 O.S. § 24A.28, we are aware of the concern and are working to correct these issues.	12/31/2023	Clark McClary, BOCC Chair
2021-003	Lack of Internal Controls and Noncompliance Over the Disbursement Process	To segregate duties, the 1 st Deputy will review cash voucher claims. The 2 nd Deputy will approve the claims and the 1 st Deputy will print the cash vouchers. The county Clerk will approve the cash vouchers and the 1 st Deputy will distribute them. It will be discussed with requisitioning officers that they must sign purchase orders before ordering goods and services. Blank warrants will be locked in a cabinet with access limited to the County Clerk and 1 st Deputy. Signature stamps will only be used by the official to whom it belongs. We will remind all offices to encumber purchase orders before ordering goods and services.	12/31/2023	Karen McClary, County Clerk
2021-004	Lack of Segregation of Duties Over the Payroll Process	I will begin reviewing new employees added to the system and all payroll changes made in the system by my 1 st Deputy. I will segregate duties associated with payroll warrants. My 1 st Deputy will print payroll warrants and my 2 nd Deputy will distribute them. Personnel files will be kept in a locked room with limited access.	12/31/2023	Karen McClary, County Clerk

2021-015	21.019 – Coronavirus Relief Fund Lack of County- Wide Controls Over Major Federal Programs	Haskell County will develop policies and procedures that will help ensure compliance with grant requirements.	12/31/2023	Clark McClary, BOCC Chair
2021-016	21.019 – Coronavirus Relief Fund Lack of Internal Controls Over Major Federal Programs	Haskell county will gain an understanding of all of the requirements of this program and implement control procedures to ensure compliance with requirements.	12/31/2023	Clark McClary, BOCC Chair
2021-017	21.019 – Coronavirus Relief Fund Noncompliance Over Major Federal Programs- Activities Allowed or Unallowed and Allowable Costs/Cost Principles	Haskell County will gain a better understanding of requirements for federal programs and implement internal controls to make sure the County stays in compliance with those requirements.	12/31/2023	Clark McClary, BOCC Chair

APPENDIX B

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

(Prepared by County Management)

Haskell County
105 SE 3rd St Unit C
Stigler, OK 74462
Clark McClary District #1 Commissioner
Larry Watson District #2 Commissioner
Billy Cloud District #3 Commissioner

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

FINANCIAL AUDIT FINDINGS

Finding 2007-020, 2008-015, 2009-019, 2010-001, 2011-001, 2012-001, 2016-001, 2017-001, 2018-001, 2019-001, 2020-001

Lack of County-Wide Internal Controls

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

Status: Not corrected. Recurring due to lack of training. The BOCC will meet with other elected officials to have quarterly meetings to discuss internal controls and how to improve these conditions.

Finding 2003-001, 2010-002, 2011-002, 2012-002, 2016-002, 2017-002

Disaster Recovery Plan

Finding Summary: Some county offices do not have a disaster recovery plan.

Status: Corrective action was taken.

Finding 2010-003, 2011-003, 2012-003, 2016-003, 2017-003, 2018-002, 2019-002, 2020-002

Inadequate Internal Controls Over Information Systems Security – County Treasurer and County Clerk

Finding Summary: There does not appear to be adequate internal controls in place to safeguard data from unauthorized modification, loss, or disclosure. The specifics of the condition have been sanitized to protect the County pursuant to the provision of 51 O.S. § 24A.28.

Status: Not corrected. Recurring due to lack of funds. We will include this in our next fiscal year's budget to get the funding needed to protect and safeguard data.

Finding 2001-002, 2004-001, 2005-001, 2006-001, 2007-001, 2008-001, 2009-001, 2010-005, 2011-005, 2012-005, 2016-004, 2017-004

Inadequate Segregation of Duties – County Treasurer

Finding Summary: A lack of segregation of duties exists in the Treasurer's office.

Status: Corrective action was taken.

Finding 2016-005, 2017-005

Inadequate Internal Controls Over Sales Tax Apportionments

Finding Summary: The County Treasurer reviews the calculations of sales tax to be apportioned; however, no documentation of this review is maintained.

Status: Corrective action was taken.

Finding 2007-005, 2008-005, 2009-005, 2010-008, 2011-008, 2012-008, 2016-006, 2017-006, 2018-003, 2019-003, 2020-003

Inadequate Internal Controls and Noncompliance Over Purchasing

Finding Summary: Lack of segregation of duties and noncompliance with purchasing procedures such as timely encumbrance.

Status: Not corrected. Recurring due to lack of training with all offices concerning timely encumbrances of purchase orders and documentation. We will increase training regarding the purchasing process with all offices.

Finding 2007-003, 2008-003, 2009-003, 2010-012, 2011-012, 2012-012, 2016-007, 2017-007, 2018-004, 2019-004, 2020-004

Inadequate Segregation of Duties Over Payroll

Finding Summary: A lack of segregation of duties exists in the County Clerk's office regarding the payroll process.

Status: Not corrected. Recurring due to lack of funds and personnel. We will correct these issues by separating key processes and/or incorporating a second review of key processes.

Finding 2016-008, 2017-008, 2018-005, 2019-005

Inadequate Internal Controls and Noncompliance Over Disbursement of County Sales tax

Finding Summary: The sales tax appropriations and expenditures were not discretely presented with the County General Fund. Since the sales tax collections were comingled with other sources of revenue, we could neither determine how much sales tax was expended or determine if the sales tax was expended in accordance with the sales tax ballot.

Status: Corrective action was taken.

Finding 2016-009, 2017-009

Inadequate Internal Controls and Noncompliance Over Operational Transfers

Finding Summary: During the audit period, the County made several transfers between the budgeted and restricted cash funds presented on the County Treasurer's general ledger. Budgeted funds, as well as funds deposited into revolving cash funds, are restricted by state statute and comingling of these funds is not allowed.

Status: Corrective action was taken.

FEDERAL AUDIT FINDINGS

Finding 2007-018, 2009-018, 2010-028, 2011-028, 2012-028, 2016-010, 2017-010

Inadequate County-Wide Controls Over Major Federal Programs – FEMA

Pass-Through Grantor: Oklahoma Department of Emergency Management

Federal Agency: U.S. Department of Homeland Security

Assistance Listing No: 97.036

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

Federal Grant Award Number: DR-1678, DR-1754, DR-1876, DR-1883, DR-1888, DR-4222, DR-4256

Federal Award Year: 2007, 2009, 2010, 2011, 2012, 2016, 2017

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

Questioned Costs: \$-0-

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

Status: This finding does not warrant further action because two years have passed since the audit report in which the finding occurred was submitted to the Federal Audit Clearinghouse, the federal agency nor the pass-through entity is currently following up with the County regarding this finding, and a management decision has not been issued.

Finding 2007-016, 2009-016, 2010-029, 2011-029, 2012-029, 2016-011, 2017-011

Inadequate Internal Controls Over Major Federal Programs - FEMA

Pass-Through Grantor: Oklahoma Department of Emergency Management

Federal Agency: U.S. Department of Homeland Security

Assistance Listing No: 97.036

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

Federal Grant Award Number: DR-1678, DR-1754, DR-1876, DR-1883, DR-1888, DR-4222, DR-4256

Federal Award Year: 2007, 2009, 2010, 2011, 2012, 2016, 2017

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

Questioned Costs: \$-0-

Finding Summary: Haskell County has not established procedures to ensure compliance with the following compliance requirements: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort, Earmarking; Period of Availability of Federal Funds; Procurement and Suspension and Debarment; and Special Tests and Provisions.

Status: This finding does not warrant further action because two years have passed since the audit report in which the finding occurred was submitted to the Federal Audit Clearinghouse, the federal agency nor the pass-through entity is currently following up with the County regarding this finding, and a management decision has not been issued.

Finding 2017-020

Noncompliance with Compliance Requirement I - Procurement

Pass-Through Grantor: Oklahoma Department of Emergency Management

Federal Agency: U.S. Department of Homeland Security

Assistance Listing No: 97.036

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

Federal Grant Award Number: DR-4222

Federal Award Year: 2017

Control Category: Procurement and Suspension and Debarment

Questioned Costs: \$-0-

Finding Summary: A project totaling \$377,527 was bid under the Title 19 purchasing statutes, but should have been bid in accordance with the Public Competitive Bidding Act (PCBA).

Status: This finding does not warrant further action because two years have passed since the audit report in which the finding occurred was submitted to the Federal Audit Clearinghouse, the federal agency nor the pass-through entity is currently following up with the County regarding this finding, and a management decision has not been issued.

Finding 2016-024, 2017-021

Inadequate Internal Controls Over the Schedule of Expenditures of Federal Awards

Pass-Through Grantor: Oklahoma Department of Emergency Management

Federal Agency: U.S. Department of Homeland Security

Assistance Listing No: 97.036

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

Federal Grant Award Number: DR-4222, DR-4256

Federal Award Year: 2016, 2017

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

Questioned Costs: \$-0-

Finding Summary: The County has not designed and implemented formal internal controls for the reporting of its federal programs as required by federal regulations. The original SEFA prepared by the County was materially misstated.

Status: This finding does not warrant further action because two years have passed since the audit report in which the finding occurred was submitted to the Federal Audit Clearinghouse, the federal agency nor the pass-through entity is currently following up with the County regarding this finding, and a management decision has not been issued.

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



Cindy Byrd, CPA | State Auditor & Inspector

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