



HASKELL COUNTY

Financial Audit

For the fiscal year ended June 30, 2016

Cindy Byrd, CPA
State Auditor & Inspector

**HASKELL COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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Cindy Byrd, CPA | State Auditor & Inspector

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

June 26, 2019

TO THE CITIZENS OF
HASKELL COUNTY, OKLAHOMA

Transmitted herewith is the audit of Haskell County, Oklahoma for the fiscal year ended June 30, 2016. The audit was conducted in accordance with 19 O.S. § 171.

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

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

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

Sincerely,

A handwritten signature in blue ink that reads "Cindy Byrd". The signature is fluid and cursive, with the first and last names clearly legible.

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



**HASKELL COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Board of County Commissioners

District 1 – Clark McClary
District 2 – Marvin Nolen
District 3 – Paul Storie

County Assessor

Roger Ballard

County Clerk

Karen McClary

County Sheriff

Brian Hale

County Treasurer

Gale Dixon

Court Clerk

Robin Rae

District Attorney

Farley Ward

**HASKELL COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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**HASKELL COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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FINANCIAL SECTION

Independent Auditor's Report

TO THE OFFICERS OF
HASKELL COUNTY, OKLAHOMA

Report on the Financial Statement

We have audited the combined total—all county funds on the accompanying regulatory basis Statement of Receipts, Disbursements, and Changes in Cash Balances of Haskell County, Oklahoma, as of and for the year ended June 30, 2016, 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 the 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, 2016, or changes in financial position for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash balances for all county funds of Haskell County, for the year ended June 30, 2016, in accordance with the basis of accounting described in Note 1.

Other Matters

Supplementary and Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2019, 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.

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

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

June 25, 2019

REGULATORY BASIS FINANCIAL STATEMENT

HASKELL COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS
(WITH COMBINING INFORMATION)—MAJOR FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Beginning Cash Balances July 1, 2015	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2016
Combining Information:						
Major Funds:						
County General Fund	\$ 615,680	\$ 2,135,157	\$ 50,839	\$ 5,528	\$ 1,953,448	\$ 842,700
Gross Revenue - Operations and Expenses	9,249	68,525	-	2,233	74,619	922
Gross Revenue - Bond	1	661,331	3,550	-	664,180	702
T-Highway	359,561	3,092,653	76,000	40,000	2,454,330	1,033,884
County Health Department	101,869	175,548	-	-	112,928	164,489
Resale Property	174,455	46,988	-	5,800	31,280	184,363
Sheriff Service Fees	129,145	106,800	1,978	37,832	140,424	59,667
County Road & Bridge Improvement Fund	470,483	281,596	-	36,000	240,498	475,581
Sinking Fund	2,474	36,982	-	-	37,934	1,522
Fire Department Sales Tax Fund	364,793	264,669	-	-	249,906	379,556
Remaining Aggregate Funds	155,469	153,573	-	-	176,238	132,804
Combined Total - All County Funds	\$ 2,383,179	\$ 7,023,822	\$ 132,367	\$ 127,393	\$ 6,135,785	\$ 3,276,190

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, 2016**

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 as combining information within the financial statement:

County General Fund – 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 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 for the criminal justice facility.

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

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

**HASKELL COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

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

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

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.

Fire Department Sales Tax Fund – accounts for the collection of sales tax revenue and the disbursement of funds for the operation of the fire departments.

C. Basis of Accounting

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

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

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.

**HASKELL COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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."

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.

**HASKELL COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

3. Other Information

A. Pension Plan

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

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

B. Other Post Employment Benefits (OPEB)

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

C. Contingent Liabilities

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

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. Long Term Obligations

1. Judgments

The County has a judgment which is being retired by a tax levy. The County is obligated to pay the judgment over a ten-year period. During the fiscal year ended June 30, 2016, the County paid \$29,241 in principle and \$8,693 interest.

**HASKELL COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

<u>Case Number</u>	<u>Original Judgment</u>
CIV-05-406-RAW	\$199,000

Future principal and interest payments that will become due on the existing judgment are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 26,223	\$ 6,928	\$ 33,151
2018	33,200	5,261	38,461
2019	20,918	3,643	24,561
2020	19,900	2,388	22,288
2021	<u>19,900</u>	<u>458</u>	<u>20,358</u>
Total	<u>\$120,141</u>	<u>\$18,678</u>	<u>\$138,819</u>

E. Sales Tax

The voters of Haskell County approved a permanent one percent (1%) sales tax effective March 1, 1984. 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.

The voters of Haskell County approved a one-half percent (1/2%) sales tax effective April 1, 2006. This tax will terminate after 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. Prior to February 2016, a portion of the funds were also accounted for in the Gross Revenue - Operating and Expenses fund.

The voters of Haskell County approved a permanent one quarter percent (1/4%) sales tax effective July 11, 2011. 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. These funds are accounted for in the Fire Department Sales Tax Fund.

**HASKELL COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

The voters of Haskell County approved a permanent one quarter percent (1/4%) sales tax effective July 1, 2014. 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.

F. Interfund Transfers

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

- \$40,000 from the T-Highway Road and Bridge Emergency Transportation Revolving Fund, a trust and agency fund, to the T-Highway fund for expenditures on road and bridge projects in the County.
- \$36,000 from the County Road & Bridge Improvement Fund to the T-Highway fund to reimburse for expenditures on road and bridge projects in the county.
- \$40,000 from the T-Highway fund to the T-Highway Road and Bridge Emergency Transportation Revolving Fund, a trust and agency fund, for the repayment of loans.
- \$2,233 from the Gross Revenue - Operations and Expenses fund to the Gross Revenue – Admin fund, a trust and agency fund, to reimburse for expenditures for jail audit.
- \$3,550 from the County General Fund to the Gross Revenue - Bond fund to transfer money left over from the sale of county property.
- \$7,207 from the Court Clerk Revolving Fund, a trust and agency fund, to the County General Fund to meet payroll obligations.
- \$37,832 from the Sheriff Service Fees fund to the County General Fund to meet payroll obligations.
- \$1,978 from the County General Fund to the Sheriff Service Fees fund for reimbursement of transfer for payroll obligations.
- \$5,800 from the Resale Property fund to the County General Fund to meet payroll obligations.

OTHER SUPPLEMENTARY INFORMATION

HASKELL COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 615,680	\$ 615,680	\$ -
Less: Prior Year Outstanding Warrants	(17,533)	(17,533)	-
Less: Prior Year Encumbrances	(14,941)	(14,405)	536
Beginning Cash Balances, Budgetary Basis	583,206	583,742	536
Receipts:			
Ad Valorem Taxes	499,523	544,342	44,819
Charges for Services	47,900	53,446	5,546
Intergovernmental Revenues	360,247	369,765	9,518
Sales Tax	971,650	1,145,731	174,081
Miscellaneous Revenues	-	21,873	21,873
Total Receipts, Budgetary Basis	1,879,320	2,135,157	255,837
Expenditures:			
County Sheriff	202,459	202,456	3
County Treasurer	126,800	126,778	22
County Commissioners OSU Extension	43,084	28,994	14,090
County Clerk	124,328	114,326	10,002
Court Clerk	100,400	100,200	200
County Assessor	82,530	82,374	156
Revaluation of Real Property	179,445	177,422	2,023
Sheriff Jail Dispatcher	227,026	227,026	-
General Government	1,235,219	811,645	423,574
Excise-Equalization Board	9,331	9,331	-
County Election Expense	80,291	70,641	9,650
Emergency Management	34,870	26,601	8,269
County Audit Budget	16,759	955	15,804
Total Expenditures, Budgetary Basis	2,462,542	1,978,749	483,793
Excess of Receipts and Beginning Cash			
Balances Over Expenditures, Budgetary Basis	\$ (16)	740,150	\$ 740,166
Operating Transfers			
Transfers In		50,839	
Transfers Out		(5,528)	
Net Operating Transfers		45,311	
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		38,376	
Add: Current Year Encumbrances		18,863	
Ending Cash Balance		\$ 842,700	

HASKELL COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
COUNTY HEALTH DEPARTMENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 101,869	\$ 101,869	\$ -
Less: Prior Year Outstanding Warrants	(228)	(228)	-
Less: Prior Year Encumbrances	(8,135)	(8,268)	(133)
Beginning Cash Balances, Budgetary Basis	93,506	93,373	(133)
Receipts:			
Ad Valorem Taxes	99,710	108,656	8,946
Charges for Services	57,637	62,398	4,761
Intergovernmental Revenues	-	4,098	4,098
Miscellaneous Revenues	-	396	396
Total Receipts, Budgetary Basis	157,347	175,548	18,201
Expenditures:			
Health and Welfare	250,853	109,178	141,675
Total Expenditures, Budgetary Basis	250,853	109,178	141,675
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	159,743	\$ 159,743
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		4,610	
Add: Current Year Outstanding Warrants		136	
Ending Cash Balance		\$ 164,489	

HASKELL COUNTY, OKLAHOMA
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS—
REMAINING AGGREGATE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Beginning Cash Balances July 1, 2015	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2016
Remaining Aggregate Funds:				
T-Highway Road & Bridge	\$ 6,179	\$ -	\$ 6,179	\$ -
County Clerk Lien Fees	4,818	7,495	544	11,769
Mortgage Fees	19,915	1,537	-	21,452
Community Service Sentencing Program Revolving	309	-	-	309
County Clerk RM&P Revolving	21,676	14,723	7,685	28,714
Lake Patrol	5,682	8,228	8,836	5,074
County Assessor Fees	14,948	3,551	9,204	9,295
Sheriff County Jail Fund	24,501	78,994	93,262	10,233
Assessor Visual Inspection	3,301	-	2,530	771
Civil Defense Donation	4,255	200	116	4,339
Drug Fund	2,014	-	-	2,014
Sheriff Donations	33,218	94	14,946	18,366
Courthouse Security	6,856	7,238	-	14,094
Sheriff Commissary	7,797	31,513	32,936	6,374
Combined Total - Remaining Aggregate Funds	\$ 155,469	\$ 153,573	\$ 176,238	\$ 132,804

HASKELL COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

1. Budgetary Schedules

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

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

2. Remaining County Funds

Remaining aggregate funds as presented on the financial statement are as follows:

T-Highway Road & Bridge – accounts for monies received from the Oklahoma Department of Transportation and reflects activity related to the Circuit Engineering District's Emergency and Transportation Revolving Fund loan and disbursements for the purpose of constructing and maintaining county roads and bridges.

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

Mortgage Fees – 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.

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

County Clerk RM&P Revolving – accounts for fees collected for instruments filed in the County Clerk's office as restricted by state statute for preservation of records.

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

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

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

**HASKELL COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Assessor Visual Inspection – accounts for the collection and expenditure of monies by the Assessor as restricted by state statute for the visual inspection program.

Civil Defense Donation – accounts for the receipt and disbursement of funds donated for civil defense purposes.

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

Sheriff Donations – accounts for donations from citizens made to the Sheriff's Department for the operation of the office.

Courthouse Security – accounts for monies allocated from the Court Fund for programs and services related to Courtroom/Judicial Security.

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.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**HASKELL COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed Through Oklahoma Department of Commerce:			
Community Development Block Grant/State's program and Non-Entitlement Grants in Hawaii	14.228	15878	\$ 4,000
Total U.S. Department of Housing and Urban Development			<u>4,000</u>
U.S. DEPARTMENT OF THE INTERIOR			
Direct Grant:			
Payments in Lieu of Taxes	15.226		165,407
Total U.S. Department of the Interior			<u>165,407</u>
U.S. DEPARTMENT OF TRANSPORTATION			
Passed Through Oklahoma Department of Transportation:			
Highway Planning and Construction	20.205		53,869
Total U.S. Department of Transportation			<u>53,869</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed Through Oklahoma Department of Emergency Management:			
Disaster Grants-Public Assistance (Presidentially Declared Disasters)	97.036	DR-4222	810,494
Disaster Grants-Public Assistance (Presidentially Declared Disasters)	97.036	DR-4256	201,497
Total CFDA 97.036			<u>1,011,991</u>
Emergency Management Performance Grants	97.042		201
Total U.S. Department of Homeland Security			<u>1,012,192</u>
Total Expenditures of Federal Awards			<u>\$ 1,235,468</u>

**HASKELL COUNTY, OKLAHOMA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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 May 26, 2015, the President of the United States approved a Major Disaster Declaration (DR-4222) for Haskell County in response to Oklahoma Severe Storms, Tornados, Straight-line Winds, and Flooding from May 05, 2015 to June 22, 2015. The County incurred \$135,112 in eligible expenditures in the prior fiscal year ending June 30, 2015. The Federal Emergency Management Agency approved all project worksheets for this disaster during and/or after the fiscal year ending June 30, 2016. Therefore, expenditures on the schedule of expenditures of federal awards for CFDA #97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters) will include \$135,112 in eligible expenditures incurred in the fiscal year ending June 30, 2015 and all eligible expenditures that were incurred in the fiscal year ending June 30, 2016.

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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined total—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Haskell County, Oklahoma, as of and for the year ended June 30, 2016, and the related notes to the financial statement, which collectively comprises Haskell County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated June 25, 2019.

Our report included an adverse opinion on the financial statement because the statement is prepared using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County for the year ended June 30, 2016, 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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of 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: 2016-001, 2016-002, 2016-004, 2016-006, 2016-007, and 2016-008.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies: 2016-003, 2016-005, and 2016-009.

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 2016-006 and 2016-008.

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

Purpose of this Report

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

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



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

June 25, 2019

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

TO THE OFFICERS OF
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, 2016. 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 the requirements of 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.



Basis for Qualified Opinion on CFDA 97.036 - Disaster Grants - Public Assistance (Presidentially Declared Disasters)

As described in Finding 2016-012 in the accompanying schedule of findings and questioned costs, Haskell County did not comply with requirements regarding the following:

Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2016-012	97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Allowable Costs/Cost Principles

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

Qualified Opinion on CFDA 97.036 - Disaster Grants - Public Assistance (Presidentially Declared Disasters)

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, 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 CFDA 97.036 – Disaster Grants - Public Assistance (Presidentially Declared Disasters) for the year ended June 30, 2016.

Other Matters

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.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2016-010, 2016-011, 2016-012, and 2016-024 that we consider to be material weaknesses.

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



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

June 25, 2019

**HASKELL COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

SECTION 1—Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:

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

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

Federal Awards

Internal control over major programs:

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

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

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

Identification of Major Programs

CFDA Number(s)

97.036

Name of Federal Program or Cluster

Disaster Grants - Public Assistance
(Presidentially Declared Disasters)

Dollar threshold used to distinguish between

Type A and Type B programs: \$750,000

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

**HASKELL COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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 2016-001 - Inadequate County-Wide Internal Controls (Repeat Finding – 2007-020, 2008-015, 2009-019, 2010-001, 2011-001, 2012-001)

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 exists.

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 the County design and implement a system of county-wide procedures to identify and address risks related to financial reporting and to ensure that information is communicated effectively. OSAI also recommends the County design monitoring procedures to assess the quality of performance over time. These procedures should be written policies and procedures and could be included in the County’s policies and procedures handbook.

Management Response:

Chairman of the Board of County Commissioners, County Clerk, and County Treasurer: It has been discussed to get all elected officials together in quarterly meetings to discuss internal controls and address these conditions to improve controls regarding control environment, risk assessment, monitoring, and information and communication.

Criteria: Internal control is an integral component of an organization’s management that provides reasonable assurance that the objectives of effectiveness and efficiency of operations, reliability of financial reporting and compliance with laws and regulations are being met. Internal control comprises the plans, methods, and procedures used to meet missions, goals, and objectives. Internal control also serves as the first line of defense in safeguarding assets and preventing and detecting errors and fraud. County management is responsible for designing a county-wide internal control system comprised of Control Environment, Risk Assessment, Information and Communication, and Monitoring for the achievement of these goals.

The Control Environment sets the tone of an entity and influences the control consciousness of its people. The Control Environment is the foundation for all other components of internal control and provides structure and discipline. Among the important elements of the control environment are the attitude,

**HASKELL COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

awareness, and actions of management, as well as those charged with governance, concerning internal control.

Risk Assessment is a component of internal control which should provide for an assessment of the risks the county faces from both internal and external sources. Once risks have been identified, they should be analyzed for their possible effect. Management then has to formulate an approach for risk management and decide upon the internal control activities required to mitigate those risks and achieve the internal control objectives.

Information and Communication is a component of internal control which should provide for a county to run and control its operations. A county must have relevant, reliable information, both financial and nonfinancial. The information should be recorded and communicated to management and others within the county who need it and in a form and within a time frame that enables them to carry out their internal control and operational responsibilities. In addition, the county needs to make sure that the forms of communication are broad-based and that information technology management assures useful, reliable, and continuous communications.

Monitoring is a component of internal control which should assess the quality of performance over time and ensure that the findings of audits and other reviews are promptly resolved. Ongoing monitoring occurs during normal operations and includes regular management and supervisory activities, comparisons, reconciliations, and other actions people take in performing their duties. It includes ensuring that management know their responsibilities for internal control and the need to make control monitoring part of their regular operating processes. Proper monitoring will ensure that controls continue to be adequate and function properly.

Finding 2016-002 - Disaster Recovery Plan (Repeat Finding – 2003-001, 2010-002, 2011-002, 2012-002)

Condition: The offices of County Clerk, County Sheriff, and County Commissioner District 1 and 3 do not have written Disaster Recovery Plans. In addition, the written Disaster Recovery Plans for the offices of County Treasurer, County Assessor, County Commissioner District 2, and Court Clerk are not reviewed and updated on a yearly basis.

Cause of Condition: Policies and procedures have not been designed and implemented to develop a Disaster Recovery Plan for all county offices and to ensure that plans are current and up to date.

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

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

**HASKELL COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

- Current names, addresses, contact numbers of key county personnel and their roles and responsibilities of information services function.
- Listing of contracted service providers.
- Information on location of key resources, including back-up site for recovery operating system, application, data files, operating manuals and program/system/user/documentation.
- Alternative work locations once IT resources are available.

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

Management Response:

County Treasurer: I have the plan but did not update it. This will be corrected in the future.

County Clerk: I have updated a plan for fiscal year 2016 and 2017 and will continue going forward for fiscal year 2018.

Court Clerk: I will make sure my Disaster Recovery Plan is updated each year.

County Assessor: This condition has been corrected.

County Sheriff: The Haskell County Sheriff's office will prepare and put in place a Disaster Recovery Plan. It will be submitted to the BOCC for approval and a copy will be filed in the County Clerk's office.

County Commissioner District 1: Haskell County District 1 now has a Disaster Recovery Plan. We will update the plan yearly and distribute to key personnel.

County Commissioner District 2: The Disaster Recovery Plan for district 2 was revised on May 21, 2018 and moving forward it will be revised annually or as needed.

County Commissioner District 3: As of August 21, 2018, we are in the process of preparing a Disaster Recovery Plan.

Criteria: An important aspect of internal control is the safeguarding of assets which includes adequate Disaster Recovery Plans. Internal controls over safeguarding of assets constitute a process, affected by an entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention in a county being unable to function in the event of a disaster. Disaster Recovery Plan(s) are an integral part of county operations to ensure that business can continue as usual in the event of a disaster. Each office or the county as a whole should have a current, detailed Disaster Recovery Plan on file and should be aware of its content.

**HASKELL COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Finding 2016-003 - Inadequate Internal Controls Over Information Systems Security – County Clerk, County Treasurer, and County Assessor (Repeat Finding – 2010-003, 2011-003, 2012-003)

Condition: Upon review of the computer systems within the office of the County Clerk, County Treasurer, and the County Assessor, 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.

Management Response:

County Treasurer: This issue has been discussed and we will try to correct as soon as possible.

County Clerk: We are working to correct this issue.

County Assessor: We are working to correct this issue.

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 on monitoring and periodic testing and implementing corrective actions for identified security weakness or incidents. Effective security management protects all IT assets to minimize the business impact of security vulnerabilities and incidents.

Finding 2016-004 - Inadequate Segregation of Duties Over the Collection Process – County Treasurer (Repeat Finding – 2001-002, 2004-001, 2005-001, 2006-001, 2007-001, 2008-001, 2009-001, 2010-005, 2011-005, 2012-005)

Condition: The following duties performed in the County Treasurer's office are not properly segregated: issuing receipts, preparing deposits, and reconciling bank statements. The County Treasurer has implemented a few mitigating controls. After evaluating the mitigating controls that have been implemented, the following weaknesses still exist:

**HASKELL COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

- The County Treasurer's office has one deputy that performs the duties of balancing the cash drawer, reconciling amounts collected to receipts, preparing the deposits, taking the deposit to the bank, and posting information to ledgers.
- No one other than the preparer verifies daily that the deposit is correct prior to taking it to the bank.
- All employees work from one cash drawer.
- A mail log is not utilized for collections.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure adequate segregation of duties over the collection process.

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

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

- The duties of balancing the cash drawer and preparing the deposit should be segregated.
- Someone other than the preparer should verify that the deposit is correct prior to taking it to the bank.

The County Treasurer could further strengthen internal controls by implementing the following procedures:

- Establish separate cash drawers for all employees receiving cash.
- Establish a policy requiring employees to open mail together and/or a daily log of mailed in receipts should be compiled.

Management Response:

County Treasurer: The balancing, reconciling, posting and banking will be segregated as much as possible. Bank deposits will be reconciled before and after being taken to the bank. The cash drawer will be checked by more than one person and two cash drawers will be used during tax season. We do not have enough staff to keep a mail log. These issues will be corrected to the best of my ability beginning September 1, 2018.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, the duties of receipting collections, delivering deposit, and maintaining financial ledgers/reconciliations should be segregated.

Finding 2016-005 - Inadequate Internal Controls Over Sales Tax Apportionments

Condition: Upon inquiry and observation, and review of documentation regarding the process of apportioning/appropriating sales tax collections, the following exception was noted:

**HASKELL COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

Cause of Condition: Policies and procedures have not been designed and implemented regarding sales tax apportionment.

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

Recommendation: OSAI recommends that documentation be maintained of the review of sales tax calculations.

Management Response:

County Treasurer: This has been corrected as of August 8, 2018.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure the proper appropriation of sales tax collections, a recalculation of the apportionment and appropriation should be performed and documented.

Finding 2016-006 - Inadequate Internal Controls and Noncompliance Over the Disbursement Process (Repeat Finding – 2007-005, 2008-005, 2009-005, 2010-008, 2011-008, 2012-008)

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

- One employee encumbers the purchase order, certifies the encumbrance, and reviews the supporting documentation for accuracy.
- One employee prints warrants, approves warrants, and distributes warrants.
- 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 does not require the warrant register to be signed by officials, employees, or vendors at the time warrants are distributed.

Of the fifty-seven (57) disbursements tested, the following exceptions were noted:

- One (1) purchase order could not be located.
- Twenty-seven (27) purchase orders did not contain a signature indicating the approval of the issuance and encumbrance of the disbursement.
- One (1) disbursement was not timely encumbered.
- Two (2) disbursements were not properly supported by timesheets.

**HASKELL COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

- Three (3) disbursements were supported by timesheets that were not signed by the employee and/or the official.

Cause of Condition: Policies and procedures have not been designed and implemented with regard to the disbursement process to ensure adequate internal controls and compliance with state statute.

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

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

- 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.
- The County Clerk should require all officials, employees, or vendors to sign the warrant register when picking up warrants. If warrants are disbursed through the mail, then the warrant register should indicate the warrant as mailed.

OSAI recommends that the County adhere to state purchasing guidelines. Purchase orders should be encumbered before goods or services are ordered and the issuance and encumbrance should be certified by the County Clerk or Deputy. Adequate supporting documentation should be attached to the purchase order and reviewed to ensure accuracy.

Management Response:

County Clerk:

- The 2nd Deputy encumbers purchase orders; the County Clerk will certify the encumbrance and the 2nd Deputy will then review the supporting documentation for accuracy.
- The 1st Deputy prints warrants; the County Clerk will approve warrants and the 1st Deputy will then distribute warrants.
- 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.
- 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 1st Deputy.
- The warrant register is now being signed.
- My office will continue to look for the missing purchase order and we will try to make sure all purchase orders are maintained and filed.
- We will sign all purchase orders to approve the issuance and encumbrance of disbursements.

**HASKELL COUNTY, OKLAHOMA
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- I will remind all offices to encumber purchase orders before ordering goods and services.

County Sheriff: We will make sure all Sheriff office employees prepare and sign monthly timesheets. The timesheets will be reviewed by the Sheriff or designee.

County Commissioner District 2: We have corrected the condition regarding timesheets. This employee does the cleaning for District 2 and is now paid as contract labor.

County Commissioner District 3: This finding has been corrected regarding timesheets.

Emergency Management: We will ensure purchase orders are encumbered the same day or prior to purchase from this date forward.

Criteria: An important aspect of internal control is the safeguarding of assets. Internal controls over safeguarding of assets constitute a process, affected by the entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or untimely detection of unauthorized acquisition, use, or disposition of the entity's assets and safeguarding assets from loss, damage, or misappropriation.

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

Finding 2016-007 - Inadequate Segregation of Duties Over the Payroll Process (Repeat Finding – 2007-003, 2008-003, 2009-003, 2010-012, 2011-012, 2012-012)

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

- The duties of processing payroll are not adequately segregated. One employee adds new employees to the system, makes payroll changes in the system, prints the payroll warrants, and distributes payroll checks to elected officials.
- Personnel files are not kept in a secure location with limited access.

Cause of Condition: Policies and procedures have not been designed and implemented with regard to the payroll disbursement process to ensure adequate segregation of duties and internal controls.

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

Recommendation: OSAI recommends management be aware of these conditions and realize that a concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective controls lie in management's oversight of office operations and a periodic review of operations. In the event that segregation of duties is not possible due to limited personnel, OSAI

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recommends implementing compensating controls to mitigate the risks involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office and having management review and approval of accounting functions.

Also, OSAI recommends that all personnel files be maintained in a secure location with limit access.

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 lock the room that contains personnel files allowing limited access.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designed to analyze and check accuracy, completeness, and authorization of payroll calculations and/or transactions to allow for prevention and detection of errors and abuse. To help ensure a proper accounting of funds, key functions within the payroll process such as the duties of processing, authorizing, and payroll distribution should be adequately segregated. Also, personnel records should be secured to limit unauthorized access.

Finding 2016-008 - Inadequate Internal Controls and Noncompliance Over Disbursement of County Sales Tax

Condition: Upon inquiry and observation of the recordkeeping process of collecting and expending county sales tax, the following was noted:

- The sales tax appropriations and expenditures were not discretely presented within the County General Fund. The County apportioned \$1,144,544 in sales tax collections to the County General Fund during the fiscal year ended June 30, 2016. 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.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure compliance with 68 O.S. § 1370E and Attorney General Opinions 2005 OK AG 23 and 2014 OK AG 15.

Effect of Condition: This condition resulted in noncompliance with state statute and the AG Opinions.

Recommendation: OSAI recommends that the County sales tax apportioned to the County General Fund be accounted for in a separate account so as to discretely present the expenditures. In addition, the sales tax should be expended in such a manner to provide assurance that expenditures are made in accordance with the purposes specified by the ballot as outlined by 68 O.S. § 1370E.

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Management Response:

Chairman of the Board of County Commissioners: I will discuss the creation of sub-accounts for sales tax within the General Fund with the County Clerk and will make sure the Treasurer apportions the funds accordingly.

County Clerk: We will create individual sales tax sub-accounts within the General Fund.

County Treasurer: I will get with the County Clerk to ensure that the appropriate sales tax sub-accounts are created within the General Fund and my office will make sure it is appropriated correctly.

Criteria: Title 68 O.S. § 1370E, requires the sales tax collections be deposited in the general revenue or sales tax revolving fund of the County and be used only for the purpose for which such sales tax was designated.

Further, AG opinion 2005 OK AG 23 dated 07/13/2005 states:

3. Proceeds of a county sales tax voted for a specific purpose but placed in the county's general fund must be accounted for as a discrete fund, and any surplus not needed for the stated purpose during one fiscal year must be transferred to the county budget for the next fiscal year, for the same specified purpose. 68 O.S. Supp. 2004, § 1370E; 19 O.S. 2001, § 386, 387; 68 O.S. 2001, § 3010.

Additionally, AG opinion 2014 OK AG 15 dated 10/31/2014 states:

4. C. As the fiscal agent responsible for superintending the funds of Canadian County, the board of county commissioners is responsible to ensure that the sales tax proceeds are not intermingled and are used exclusively for the purpose expressed in the ballot measure and resolution. The board can direct that the funds be deposited in a dedicated revolving fund and not intermingled with other revenues. Okla. Const. art. X, § 19; 68 O.S. 2011, § 1370; 19 O.S. Supp. 2013, § 339; 19 O.S. 2011, § 345; Cavin v. Bd. Of County Comm'rs, 1934 OK 245 ¶ 11, 33 P.2d 477, 479.

Finding 2016-009 - Inadequate Internal Controls and Noncompliance Over Operational Transfers

Condition: 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.

Further, the County General Fund revenues are budgeted funds and the use of these funds are restricted by state statute. These funds are budgeted to meet the expenditure requirements for the current fiscal year. If the funds are not used, they are lapsed and used for the expenditure requirements of the next fiscal year.

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The following was noted:

- In September 2015, the BOCC approved the transfer of \$2,233 from the Gross Revenue—Operations and Expenses fund to the Gross Revenue—Admin fund (a trust and agency fund) because there were insufficient funds to pay for the Haskell County Public Facilities Authority audit.
- In October 2015, the BOCC approved the transfer of \$1,483 from the Court Clerk Revolving Fund (a trust and agency fund) to the County General Fund to provide funding for payroll because there were insufficient funds held by the Court Clerk to meet payroll obligations.
- In March 2016, the BOCC approved the transfer of \$3,550 from the County General Fund to the Gross Revenue Bond fund to transfer money left over from the sale of county property.
- In April 2016, the BOCC approved the transfer of \$5,724 from the Court Clerk Revolving Fund (a trust and agency fund) to the County General Fund to provide funding for payroll because there were insufficient funds held by the Court Clerk to meet payroll obligations.
- In May 2016, the BOCC approved the transfer of \$18,288 from the Sheriff Service Fees fund to the County General Fund to provide funding for payroll because there were insufficient funds to meet payroll obligations.
- In June 2016, the BOCC approved the transfer of \$5,800 from the Resale Property fund to the County General Fund to provide funding for payroll because there were insufficient funds held by the Treasurer to meet payroll obligations.
- In June 2016, the BOCC approved the transfer of \$19,544 from the Sheriff Service Fees fund to the County General Fund to provide funding for payroll because there were insufficient funds to meet payroll obligations.
- In June 2016, the BOCC approved the transfer of \$1,978 from the County General Fund to the Sheriff Service Fees fund for reimbursement of transfer for payroll obligations.

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

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

Recommendation: OSAI recommends the County cease all activity of transferring funds between restricted and earmarked budgeted funds and restricted cash revolving funds. Transfers between funds should only be made for those limited specific purposes as set forth in state statutes.

Management Response:

Chairman of the Board of County Commissioners: We will try to do a better job working on the budget so that monies will not have to be transferred.

County Treasurer and County Clerk: The County will work to budget funds appropriately and will only transfer funds in accordance with state statutes.

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Criteria: An important aspect of internal control is the safeguarding of assets. Internal controls over safeguarding of assets constitute a process, affected by the entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the entity's assets and safeguarding assets from loss, damage, or misappropriation.

Title 62 O.S. § 331 states in part, "First. All funds for current requirements arising out of an ad valorem tax levy assessed and collected under the provisions of Section 9, Article 10, Constitution, as amended, ... are hereby declared to constitute the "General Fund" of such county, city, town, independent or dependent school district, or other municipal subdivisions of the state. All special "funds" arising out of an ad valorem tax levy, within the limitations of said Section 9, Article 10, Constitution, ... authorized or required by existing laws to be devoted to a specific or special purpose, or that may hereafter be so authorized or required, unless specifically excepted, shall, from and after the effective date of this act, be accounted for as integral "budget accounts" within and as a part of the said "General Fund." Each such integral budget account shall bear the title ascribed by law to such special purpose, and it shall be subject to be so itemized for purpose of appropriation as the law may direct for the accomplishment of such special purpose, and none of the items of appropriation within such special budget account shall ever be expended for any purpose other than provided by the law creating such special fund (now budget account) nor shall any part of it ever be available for transfer to any other budget account within the General Fund. It is provided, however, that cancellation and/or transfer between the several items of appropriation for a special purpose within the limitations and in the manner provided by law is hereby authorized."

Title 68 O.S. § 3021 states in part, "Fourth: If at any time during the budget year it appears to the county treasurer that there is temporarily insufficient money in a particular fund to meet the requirements of appropriation in the fund, the excise board, upon request of the county treasurer and upon notification to the county commissioners, may temporarily transfer money from one fund to any other fund with the permission of the county officer in charge of the fund that the money will be temporarily transferred from. No transfer shall be made from the debt service fund to any other fund except as may be permitted by the terms of the bond issue or applicable law. Any funds temporarily transferred shall be repaid to the original fund from which they were transferred within the fiscal year that the funds were transferred."

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

Finding 2016-010 - Inadequate County-Wide Controls Over Major Federal Programs – FEMA (Repeat Finding – 2007-018, 2009-18, 2010-028, 2011-028, 2012-028)

PASS-THOUGH GRANTOR: Oklahoma Department of Emergency Management

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FEDERAL AGENCY: U.S. Department of Homeland Security

CFDA NO: 97.036

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

FEDERAL AWARD NUMBER: DR-4222 and DR-4256

FEDERAL AWARD YEAR: 2016

CONTROL CATEGORY: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort, Earmarking; Procurement and Suspension and Debarment; and Special Tests and Provisions

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 the County implement a system of internal controls to ensure compliance with grant requirements.

Management Response:

County Commissioner District 1: Haskell County will implement a system of internal controls for future federal grants.

County Commissioner District 2: Moving forward, Haskell County will implement a system of internal controls to ensure the County will be in compliance with grant agreements. Training will be provided for all elected officials and employees that are involved with federal grants.

County Commissioner District 3: We will implement a system of county-wide internal controls over federal grants.

Criteria: Internal control is an integral component of an organization's management that provides reasonable assurance that the objectives of effectiveness and efficiency of operations, reliability of financial reporting and compliance with laws and regulations are being met. Internal control comprises the plans, methods, and procedures used to meet missions, goals, and objectives. Internal control also serves as the first line of defense in safeguarding assets and preventing and detecting errors and fraud. County management is responsible for designing a county-wide internal control system comprised of Control Environment, Risk Assessment, Information and Communication, and Monitoring for the achievement of these goals.

The Control Environment is the foundation for all other components of internal control. When management believes that internal controls are important to meeting its goals and objectives and communicates this belief to its employees at all levels, internal controls are more likely to be functioning well. However, if

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management views internal controls as unrelated to achieving its goals and objectives, or even as an obstacle, it is almost a certainty that this attitude will be held by all employees, despite official statements or policies to the contrary. This understanding by management of the importance of internal controls and the communication of this importance to its employees are key elements of the control environment.

Risk Assessment is a component of internal control which should provide for an assessment of the risks the County faces from both internal and external sources. Once risks have been identified, they should be analyzed for their possible effect. Management then has to formulate an approach for risk management and decide upon the internal control activities required to mitigate those risks and achieve the internal control objectives.

Information and Communication is a component of internal controls which should provide for a county to run and control its operations. A County must have relevant, reliable information, both financial and nonfinancial. The information should be recorded and communicated to management and others within the County who need it and in a form and within a time frame that enables them to carry out their internal control and operational responsibilities. In addition, the County needs to make sure that the forms of communication are broad-based and that information technology management assures useful, reliable, and continuous communications.

Monitoring is a component of internal control which should assess the quality of performance over time and ensure that the findings of audits and other reviews are promptly resolved. Ongoing monitoring occurs during normal operations and includes regular management and supervisory activities, comparisons, reconciliations, and other actions people take in performing their duties. It includes ensuring that management know their responsibilities for internal control and the need to make control monitoring part of their regular operating processes. Proper monitoring will ensure that controls continue to be adequate and function properly.

Finding 2016-011 - Inadequate Internal Controls Over Major Federal Programs – FEMA (Repeat Finding – 2007-016, 2009-016, 2010-029, 2011-029, 2012-029)

PASS-THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: U.S. Department of Homeland Security

CFDA NO: 97.036

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

FEDERAL AWARD NUMBER: DR-4222 and DR-4256

FEDERAL AWARD YEAR: 2016

CONTROL CATEGORY: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort, Earmarking; Procurement and Suspension and Debarment; and Special Tests and Provisions

QUESTIONED COSTS: \$-0-

Condition: During the process of documenting the County's internal controls regarding federal disbursements, we noted that Haskell County has not established procedures to ensure compliance with the

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following compliance requirements: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort, Earmarking; Procurement and Suspension and Debarment; and Special Tests and Provisions.

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

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

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

Management Response:

County Commissioner District 1: The County will establish policies and procedures to ensure compliance with federal grant requirements.

County Commissioner District 2: Moving forward Haskell County will establish procedures to ensure compliance with federal grant requirements. Haskell County will have training for all officers and employees involved with federal grants.

County Commissioner District 3: The County will establish policies and procedures to ensure compliance with federal grant requirements.

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

The non-Federal entity must:

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

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

Finding 2016-012 - Noncompliance with Compliance Requirement B-Allowable Costs/Cost Principles-Scope of Work

PASS-THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: U.S. Department of Homeland Security

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CFDA NO: 97.036

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

FEDERAL AWARD NUMBER: DR-4222

FEDERAL AWARD YEAR: 2016

CONTROL CATEGORY: Allowable Costs/Cost Principles

QUESTIONED COSTS: \$10,594 (\$2,350 + \$8,244)

Condition and Context: A sample of twenty-one (21) sites totaling \$112,132 was selected for the audit from a population of two hundred and ten (210) sites totaling \$1,011,991. The test found two instances of noncompliance:

- Site 1a on project worksheet 155 required the replacement of asphalt. The County failed to complete this portion of the scope of work resulting in questioned costs in the amount of \$2,350. The total cost of the asphalt was \$3,133. The federal portion of the asphalt is seventy-five (75) percent of the cost ($\$3,133 \times .75 = \$2,350$).
- Site 1 on project worksheet 517 required the replacement of rip rap. The County failed to complete this portion of the scope of work resulting in questioned costs in the amount of \$8,244. The total cost of the rip rap was \$10,992. The federal portion of the rip rap is seventy-five (75) percent of the cost ($\$10,992 \times .75 = \$8,244$).

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

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

Recommendation: OSAI recommends that the County design and implement procedures to ensure that the scope of work is completed as required on the project worksheet. Work performed by the County should be reviewed and compared to the project worksheet to verify that the scope of work is completed.

Management Response:

County Commissioner District 2: At that time, I was not in office; however, new procedures are now in place which consist of the following: Ledgers will be kept on each project and will include purchase order numbers; vendors; daily work logs detailing labor, equipment and material; timesheets; and County Treasurer's receipts. In addition, we will implement a review process.

County Commissioner District 3: We will establish policies and procedures to review the scope of work on each project worksheet to verify that all work was done.

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

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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).

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

Finding 2016-024 - Inadequate Internal Controls Over the Schedule of Expenditures of Federal Awards

PASS-THOUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: U.S. Department of Homeland Security

CFDA NO: 97.036

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

FEDERAL AWARD NUMBER: DR-4222 and DR-4256

FEDERAL AWARD YEAR: 2016

CONTROL CATEGORY: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort, Earmarking; Procurement and Suspension and Debarment; and Special Tests and Provisions

QUESTIONED COSTS: \$-0-

Condition: The County has not designed and implemented formal internal controls for the reporting of its federal programs as required by federal regulations.

During our audit we identified federal programs that were not listed accurately on the County’s Schedule of Expenditures of Federal Awards (SEFA). Federal expenditures were overstated by \$199,093.

The following misstatements were noted:

- The actual expenditures for the Community Development Block Grants/State’s program and Non-Entitlement Grants in Hawaii, CFDA #14.228 were \$4,000 and the County reported \$0, resulting in an understatement of expenditures of \$4,000.
- The actual expenditures for Payments in Lieu of Taxes, CFDA #15.226 were \$165,407 and the County reported \$172,103, resulting in an overstatement of expenditures of \$6,696.
- The actual expenditures for Highway Planning and Construction, CFDA #20.205 were \$53,869 and the County reported \$0, resulting in an understatement of expenditures of \$53,869.
- The actual expenditures for the Disaster Grants - Public Assistance (Presidentially Declared Disasters), CFDA #97.036 were \$1,011,991 and the County reported \$1,227,743, resulting in an overstatement of the expenditures of \$215,752.
- The actual expenditures for the Emergency Management Performance Grants, CFDA #97.042 were \$201 and the County reported \$223, resulting in an overstatement of the expenditures of \$22.

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- The actual expenditures for the Assistance to Firefighters Grant, CFDA #97.044 were \$0 and the County reported \$34,492, resulting in an overstatement of the expenditures of \$34,492.

Reported Total Expenditures of Federal Awards	\$1,434,561
Add: Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii (CFDA 14.228)	4,000
Less: Payments in Lieu of Taxes (CFDA 15.226)	(6,696)
Add: Highway Planning and Construction (CFDA 20.205)	53,869
Less: Disaster Grants - Public Assistance (Presidentially Declared Disasters) (CFDA 97.036)	(215,752)
Less: Emergency Management Performance Grants (CFDA 97.042)	(22)
Less: Assistance to Firefighters Grant (CFDA 97.044)	(34,492)
	<hr/>
Actual Federal Expenditures of Federal Awards	\$1,235,468
	<hr/>
Original SEFA Overstated by	\$199,093
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Cause of Condition: Policies and procedures have not been designed and implemented to ensure accurate reporting of expenditures for all federal awards.

Effect of Condition: This resulted in the erroneous reporting and a material misstatement of the County's SEFA and could result in a material noncompliance with federal regulations.

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

Management Response:

Chairman of the Board of County Commissioners: We will establish policies and procedures to ensure accurate reporting of federal programs on the SEFA.

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

The non-Federal entity must:

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

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

The auditee must:

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

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

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

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

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 2016-013 - Revenue Dedicated to General Government Operation Funding – Sales Tax

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 regards 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 Board of County Commissioners 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.

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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 Board of County Commissioners 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: Payment has been approved by our District Attorney.

Auditor Response: Management is relying on a two-year-old letter from the District Attorney; however, the District Attorney subsequently agreed with the State Auditor and, according to the District Attorney, notified county officials of the way the funds were to be handled.

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 2016-014 - Inadequate Segregation of Duties – Court Clerk (Repeat Finding)

Condition: Upon inquiry of Court Clerk employees, and observation, we noted the following weaknesses with regard to internal controls related to the receipting and expenditure processes of the Court Clerk’s office:

Receipting Process:

- The Court Clerk’s office does not have defined job duties regarding the receipt process. All employees have the ability to open mail, issue receipts, balance the cash drawer, prepare deposits, and take deposits to the County Treasurer.
- A mail log is not maintained.
- All employees work from the same cash drawer.
- The accuracy of deposits is not verified by someone other than the preparer.
- All full-time employees have access to the safe where the deposits are kept.

District Court Expenditure Process:

- One employee prints vouchers, approves vouchers, distributes vouchers, and reconciles the monthly reports with the County Treasurer.
- Monthly reports are not reviewed for accuracy by someone other than the preparer.

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Court Fund Expenditure Process:

- The Court Clerk prepares vouchers, approves vouchers, and distributes vouchers.
- 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 developed to separate key functions of the receipting and expenditure processes. In the event that 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:

- We are implementing the following controls to segregate duties: One employee will open the mail and log it; another employee will write the receipts; another employee will prepare the deposit with a different employee reviewing the deposit; and another employee will take the deposit to the County Treasurer.
- We started preparing a daily mail log August 1, 2018.
- I believe having only one cash drawer is easier to balance each day and I have implemented mitigating controls to verify our deposits.
- One employee prepares the deposit and now another employee reviews and signs with the preparer. Then another employee verifies the amount again and takes it to the Treasurer and waits for cash to be counted and verified by the Treasurer.
- All full-time employees have access to the safe where deposits are kept because we also store passport transmittal sheets in the safe, as well as, passport applications if they do not go out in the mail the same day. We are all acceptance agents therefore we all need access to the safe. However, we are implementing mitigating controls for the cash received after the daily deposit is prepared. We will count the money, put it in an envelope and record the amount enclosed and that employee will sign, and another employee will review, verify, and sign as well.
- We are implementing mitigating controls by segregating duties as to the preparation, approval and distribution of District Court and Court Fund vouchers. One employee will prepare the voucher, one will approve the voucher, and another will distribute the voucher. These changes are being made effective August 2018.

**HASKELL COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

- We do not use the Judge's signature stamp for financial purposes. We only use the Judge's stamp for the convenience of the Attorneys copies and with the Judge's permission. We will correct this finding by putting the Judge's signature stamp in his office.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, key duties and responsibilities should be segregated among different individuals to reduce the risk of error or fraud. No one individual should have the ability to authorize transactions, have physical custody of assets, and record transactions.

Finding 2016-015 - Inadequate Internal Controls and Noncompliance Over Inmate Trust Fund Checking Account and Sheriff Commissary Fund (Repeat Finding)

Condition: An audit of the Inmate Trust Fund Checking Account and Sheriff Commissary Fund reflected the following:

- One employee performs the duties of collecting monies, issuing receipts, posting commissary orders to inmate accounts, preparing deposits, taking deposits to the bank, issuing checks, and preparing reconciliations.
- Collections were not deposited daily to the Inmate Trust Fund Checking Account.
- Inmate Trust Fund checks are not secured.
- Inmate ledger balances are not reconciled to the bank statements.
- The Sheriff's office does not file an annual report for the Sheriff Commissary Fund with the Board of County Commissioners by January 15th of each year.

In addition to commissary items, phone cards are also purchased by inmates through the Inmate Trust Fund Account. These purchases are processed through the same computer software system; however, an inventory is not maintained for the phone cards that are kept in stock.

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:

- Key duties and responsibilities should be segregated among different individuals to reduce the risk of error or fraud. No one individual should have the ability to authorize transactions, have physical custody of assets, and record transactions.
- All funds received should be deposited to the Inmate Trust Fund Checking Account daily.
- Inmate Trust Fund checks should be maintained in a controlled environment with limited access.

**HASKELL COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

- 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 County Sheriff should file a report of the Commissary with the Board of County Commissioners by January 15th of each year in accordance with Title 19 O.S. § 180.43.
- An inventory of phone cards should be prepared and maintained. This inventory should be updated as phone cards are purchased and received by the Sheriff's office and as phone cards are sold to inmates.

Management Response:

County Sheriff:

- We are currently working on segregating the duties of issuing receipts, preparing deposits, taking deposits to the bank, issuing checks, and preparing reconciliations.
- We will begin making daily deposits to the Inmate Trust Fund.
- We will secure Inmate Trust Fund checks in a locked safe with limited access.
- We will reconcile inmate ledger balances to the bank statement monthly and review the reconciliations.
- We will prepare and file an annual commissary report with the BOCC by January 15th of each year.
- We will check off phone cards from the master list received from the company and we will maintain a proper list as the cards are sold to the inmates.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, no one individual should have the ability to have physical custody of assets, prepare deposits, make deposits, and issue checks. In addition, bank reconciliations should be performed each month, funds should be deposited daily, and inventory of phone cards should be maintained.

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

Title 19 O.S. § 180.43 D. states in part, "The sheriff shall file an annual report on any said commissary under his or her operation no later than January 15 of each year."

APPENDIX A

CORRECTIVE ACTION PLAN

(Prepared by County Management)

**Board of County Commissioners
Haskell County Courthouse
202 E. Main - Stigler, Oklahoma 74462
Telephone: (918) 967-2884**

**Clark McClary
District I
Keota Barn
(918) 966-3685**

**Sandra Zachry
District II
Stigler Barn
(918) 967-4291**

**Billy Cloud
District III
Whitefield Barn
(918) 967-4333**

**Corrective Action Plan
in accordance with 2 CFR § 200.511c
for the fiscal year ended June 30, 2016**

Finding No.	Title (Financial) or CFDA No. & Program Name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-001	Inadequate County-Wide Internal Controls	The BOCC will work with the elected officials to have quarterly meetings to discuss internal controls and address these conditions to improve controls regarding control environment, risk assessment, monitoring, and information and communication.	05/01/2019	Clark McClary, BOCC Chair
2016-002	Disaster Recovery Plan	The BOCC will take the proper steps to ensure all officers have an updated Disaster Recovery Plan.	07/01/2019	Clark McClary, BOCC Chair
2016-003	Inadequate Internal Controls Over Information Systems Security – County Clerk, County Treasurer, and County Assessor	Although the condition of this finding has been sanitized we are aware of the concern and are working to correct these issues.	09/01/2019	Clark McClary, BOCC Chair
2016-004	Inadequate Segregation of Duties Over the Collection Process-County Treasurer	The balancing, reconciling, posting and banking will be segregated as much as possible. Bank deposits will be reconciled before and after being taken to the bank. The cash drawer will be checked by more than one person and two cash drawers will be used during tax season. We do not have enough staff to keep a mail log.	09/01/2019	Gale Dixon, County Treasurer
2016-005	Inadequate Internal Controls Over Sales Tax Apportionments	Procedures have been implemented to ensure documentation of the sales tax calculation is maintained.	8/8/18	Gale Dixon, County Treasurer
2016-006	Inadequate Internal Controls and Non-Compliance Over the Disbursement Process	To address the lack of segregation of duties, the 2 nd Deputy encumbers purchase orders; the County Clerk will certify the encumbrance and the 2 nd Deputy will then review the supporting documentation for accuracy. The 1 st Deputy prints warrants; the County Clerk will approve warrants and the 1 st Deputy will then distribute warrants. The 1 st Deputy will review cash voucher claims. The 2 nd Deputy will approve the claims and the 1 st Deputy will print cash vouchers. The County Clerk will approve 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 1 st Deputy. The warrant register is now being signed. My office	07/01/2019	Karen McClary, County Clerk

		will continue to look for the missing purchase order and we will try to make sure all purchase orders are maintained and filed. We will sign all purchase orders to approve the issuance and encumbrance of disbursements. I will remind all offices to encumber purchase orders before ordering goods and services. I will also remind all offices that timesheets should be prepared and signed by the employee and official/department head.		
2016-007	Inadequate 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 the duties associated with payroll warrants. My 1 st Deputy will print payroll warrants and my 2 nd Deputy will distribute them. We will lock the room that contains personnel files allowing limited access.	07/01/2019	Karen McClary, County Clerk
2016-008	Inadequate Internal Controls and Noncompliance Over Disbursement of County Sales Tax	The BOCC will work with our budget maker to ensure individual sales tax sub-accounts are created within the General Fund.	07/01/2019	Clark McClary, BOCC Chair
2016-009	Inadequate Internal Controls and Noncompliance Over Operational Transfers	Haskell County will work to budget funds appropriately and will only transfer funds in accordance with State Statutes.	07/01/2019	Clark McClary, BOCC Chair
2016-010	97.036 – Disaster Grants-Public Assistance (Presidentially Declared Disasters)	Haskell County will implement a system of internal controls for future federal grants.	05/01/2019	Clark McClary, BOCC Chair
2016-011	97.036 – Disaster Grants-Public Assistance (Presidentially Declared Disasters)	The BOCC will establish policies and procedures to ensure compliance with federal grant requirements.	05/01/2019	Clark McClary, BOCC Chair
2016-012	97.036 – Disaster Grants-Public Assistance (Presidentially Declared Disasters)	The BOCC will establish policies and procedures to review the scope of work on each project worksheet to verify that all work was done.	05/01/2019	Clark McClary, BOCC Chair
2016-024	97.036 – Disaster Grants-Public Assistance (Presidentially Declared Disasters)	The BOCC will establish policies and procedures to ensure accurate reporting of federal programs on the SEFA.	05/01/2019	Clark McClary, BOCC Chair

APPENDIX B

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

(Prepared by County Management

Board of County Commissioners
Haskell County Courthouse
202 E. Main - Stigler, Oklahoma 74462
Telephone: (918) 967-2884

Clark McClary
District I
Keota Barn
(918) 966-3685

Sandra Zachry
District II
Stigler Barn
(918) 967-4291

Billy Cloud
District III
Whitefield Barn
(918) 967-4333

Summary Schedule of Prior Audit Findings
in accordance with 2 CFR § 200.511b
for the fiscal year ended June 30, 2016

FINANCIAL AUDIT FINDINGS

Finding 2007-020, 2008-015, 2009-019, 2010-001, 2011-001, 2012-001

Inadequate County-Wide Controls

Finding Summary: County-wide controls regarding Risk Management 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 beginning May 1, 2019 to discuss internal controls and how to improve these conditions.

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

Disaster Recovery Plan

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

Status: Not corrected. Recurring due to lack of communication to get all offices on board. The BOCC will discuss this issue with other elected officials in the quarterly risk assessment meeting beginning May 1, 2019.

Finding 2010-003, 2011-003, 2012-003

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: Partially corrected. Recurring due to lack of funds. Will include this in our next fiscal years 2019-2020 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

Inadequate Segregation of Duties – County Treasurer

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

Status: Not corrected. Recurring because of limited funds and personnel. These issues will be corrected by September 1, 2019 by separating key processes and/or incorporating a second review of key process.

Finding 2007-005, 2008-005, 2009-005, 2010-008, 2011-008, 2012-008

Inadequate Internal Controls and Noncompliance Over Purchasing

Finding Summary: Some purchase orders were not timely encumbered and did not have proper supporting documentation.

Status: Not corrected. Recurring due to lack of training with all offices concerning timely encumbrances of purchase orders and documentation. These issues will be corrected by July 1, 2019 by increasing training for purchase orders and supporting documentation with all offices.

Finding 2010-010, 2011-010, 2012-010

Inadequate Internal Controls Over Signature Stamp – County Commissioner

Finding Summary: The County Clerk's office has control of the signature stamp for the Chairman of the Board of County Commissioners.

Status: Corrective action was taken.

Finding 2007-003, 2008-003, 2009-003, 2010-012, 2011-012, 2012-012

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. These issues will be corrected by July 1, 2019 by separating key processes and/or incorporating a second review of key process.

Finding 2010-013, 2011-013, 2012-013

Reconciliation of the Appropriation Ledger to General Ledger

Finding Summary: Documentation of the reconciliation of the appropriation ledger to the general ledger is not maintained.
Status: Corrective action was taken.

Finding 2007-010, 2008-010, 2009-010, 2010-017, 2011-017, 2012-017

Inadequate Internal Controls Over Pledged Collateral and Noncompliance with State Statute

Finding Summary: The County has not properly designed and implemented procedures to monitor the bank balance on a daily basis to ensure county funds are adequately secured. In addition, it was noted that county funds were not adequately secured on certain days tested.

Status: Corrective action was taken.

Finding 2010-031, 2011-031, 2012-031

Soliciting and Awarding Work Without Going through the Bid Process

Finding Summary: Work was done on three bridge projects without properly going through the bid process.

Status: Corrective action was taken.

FEDERAL AUDIT FINDINGS

Finding 2007-018, 2009-018, 2010-028, 2011-028, 2012-028

Inadequate County-Wide Controls Over Major Program – FEMA

Pass-Through Grantor: Oklahoma Department of Emergency Management

Federal Agency: U.S. Department of Homeland Security

CFDA No: 97.036

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

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

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

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: Not corrected. Recurring due to lack of training. BOCC will discuss to incorporate a checklist from State Auditor's website in quarterly meetings beginning May 1, 2019 to facilitate the implementation of a county-wide internal control system.

Finding 2007-016, 2009-016, 2010-029, 2011-029, 2012-029

Lack of Internal Controls Over Federal Compliance Requirements – FEMA

Pass-Through Grantor: Oklahoma Department of Emergency Management

Federal Agency: U.S. Department of Homeland Security

CFDA No: 97.036

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

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

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

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: Not corrected. Recurring due to lack of training. The BOCC will discuss to implement procedures and policies regarding federal compliance requirements in quarterly meetings beginning May 1, 2019.

Finding 2012-030

Lack of Supporting Documentation – FEMA

Pass-Through Grantor: Oklahoma Department of Emergency Management

Federal Agency: U.S. Department of Homeland Security

CFDA No: 97.036

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

Federal Grant Award Number: DR-1888

Federal Award Year: 2012

Control Category: Activities Allowed or Unallowed; Allowable Costs/Cost Principles

Questioned Costs: \$10,626.95

Finding Summary: During the examination of supporting documentation of FEMA expenditures it was noted that some labor hours charged did not agree to employees' timesheet, some timesheets could not be located, some incorrect equipment

rates were used.
Status: Corrective action was taken.

Finding 2011-030

Lack of Supporting Documentation - FEMA

Pass-Through Grantor: Oklahoma Department of Emergency Management

Federal Agency: U.S. Department of Homeland Security

CFDA No: 97.036

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

Federal Grant Award Number: DR-1876, DR-1883

Federal Award Year: 2011

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: \$44,001.99

Finding Summary: During the verification of the SEFA, we determined that District 3 had a project worksheet totaling \$60,381.37, but only had supporting documentation for expenditures in the amount of \$16,379.38.

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 2010-030

Lack of Supporting Documentation - FEMA

Pass-Through Grantor: Oklahoma Department of Emergency Management

Federal Agency: U.S. Department of Homeland Security

CFDA No: 97.036

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

Federal Grant Award Number: DR-1883

Federal Award Year: 2010

Control Category: Activities Allowed or Unallowed; Allowable Costs/Cost Principles

Questioned Costs: \$104,080.43

Finding Summary: During the verification of the SEFA, we determined that District 3 had project worksheets totaling \$131,816.47, but only had supporting documentation for expenditures in the amount of \$27,736.04.

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 2009-017

Documentation of Federal Expenditures

Pass-Through Grantor: Oklahoma Department of Emergency Management

Federal Agency: U.S. Department of Homeland Security

CFDA No: 97.036

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

Federal Grant Award Number: DR-1754

Federal Award Year: 2009

Control Category: Allowable Costs/Cost Principles; Procurement and Suspension and Debarment

Questioned Costs: \$136,643.44

Finding Summary: It was noted that there was insufficient documentation to support federal expenditures. No documentation was provided for one project totaling \$43,702.43. For the remaining \$92,941.01 in questioned costs, there was limited documentation to support the work performed on projects.

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 2009-015

FEMA – Schedule of Expenditures of Federal Awards

Pass-Through Grantor: Oklahoma Department of Emergency Management

Federal Agency: U.S. Department of Homeland Security

CFDA No: 97.036

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

Federal Grant Award Number: DR-1754

Federal Award Year: 2009

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

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 OMB Circular A-133.

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.



Cindy Byrd, CPA | State Auditor & Inspector

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