



HUGHES COUNTY

Financial Audit

For the fiscal year ended June 30, 2021

Cindy Byrd, CPA
State Auditor & Inspector

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

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



Cindy Byrd, CPA | State Auditor & Inspector

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

March 21, 2022

TO THE CITIZENS OF
HUGHES COUNTY, OKLAHOMA

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

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

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

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

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

Sincerely,

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

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



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

Board of County Commissioners

District 1 – Gary Phillips
District 2 – Coal Dilday
District 3 – Tommy Peak

County Assessor

Amber Jones

County Clerk

Angela Brooks

County Sheriff

Marcia Maxwell

County Treasurer

Dawn Lindsey

Court Clerk

Ashley Sanford

District Attorney

Paul Smith

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

TABLE OF CONTENTS

FINANCIAL SECTION

Report of State Auditor and Inspector 1

 Financial Statement:

 Statement of Receipts, Disbursements, and Changes in Cash Balances—Regulatory Basis 4

 Notes to the Financial Statement..... 5

SUPPLEMENTARY INFORMATION

 Comparative Schedule of Expenditures—Budget and Actual—Budgetary Basis—General Fund..... 11

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

 Note to Supplementary Information..... 13

INTERNAL CONTROL AND COMPLIANCE SECTION

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance With
Government Auditing Standards..... 14

Schedule of Findings and Responses..... 16

FINANCIAL SECTION

Independent Auditor's Report

TO THE OFFICERS OF
HUGHES COUNTY, OKLAHOMA

Report on the Financial Statement

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

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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



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

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

Unmodified Opinion on Regulatory Basis of Accounting

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

Other Matters

Supplementary Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2022, on our consideration of Hughes 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 Hughes County's internal control over financial reporting and compliance.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

March 15, 2022

REGULATORY BASIS FINANCIAL STATEMENT

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

	Beginning Cash Balances July 1, 2020	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2021
County Funds:						
County General	\$1,625,198	\$2,390,804	\$ -	\$ -	\$ 2,273,872	\$1,742,130
Highway	2,867,153	4,019,537	-	25,381	3,379,558	3,481,751
Resale Property	491,995	111,056	43,720	-	80,129	566,642
Health	837,753	458,698	-	-	195,110	1,101,341
County Clerk Lien Fee	192,194	13,262	-	-	9,742	195,714
Treasurer Mortgage Certification	20,688	1,960	-	-	-	22,648
Sheriff Commissary	7,683	7,834	-	-	3,489	12,028
Sheriff Service Fee	212,897	124,695	-	-	220,563	117,029
Assessor Revolving Fee	7,010	3,182	-	-	528	9,664
Community Service Program	811	-	-	-	-	811
County Clerk RM&P	37,451	43,800	-	-	26,788	54,463
Free Fair Board	4,152	300	-	-	100	4,352
911 Phone Fees	208,067	301,189	-	-	244,883	264,373
Emergency Management	963	-	-	-	-	963
County Bridge and Road Improvement	1,206,972	322,725	25,381	-	163,876	1,391,202
Rural Fire-ST	2,311,670	315,643	-	-	173,886	2,453,427
Sheriff-ST	157,068	366,322	-	-	423,869	99,521
Highway-ST	469,684	488,301	-	-	601,866	356,119
Fair Improvement-ST	30,398	18,401	-	-	34,421	14,378
Extension-ST	182,484	25,319	-	-	-	207,803
Senior Citizens-ST	58,830	18,540	-	-	15,283	62,087
Court Clerk Payroll	4,677	79,368	-	-	79,334	4,711
Sheriff Forfeiture	10,840	300	-	-	-	11,140
County Donations	920	11,282	-	-	11,314	888
CDBG	-	87,869	-	-	87,869	-
COVID Aid and Relief	-	327,581	-	-	-	327,581
American Rescue Plan Act 2021	-	1,289,645	-	-	-	1,289,645
Total - All County Funds	\$ 10,947,558	\$ 10,827,613	\$ 69,101	\$ 25,381	\$ 8,026,480	\$ 13,792,411

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

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

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

B. Fund Accounting

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

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

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

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

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

Health – accounts for monies collected on behalf of the County Health Department from ad valorem taxes and state and local revenues and disbursed for the operation of the County Health Department.

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

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

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

Sheriff Commissary – accounts for profits from the commissary vendor and disbursement of funds for jail operating expenses.

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

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

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

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

Free Fair Board – accounts for the collection of rent for the Expo Building and disbursements for building maintenance.

911 Phone Fees – accounts for fees collected by phone service providers in accordance with 63 O.S. § 2813 to support operations of 911 emergency services.

Emergency Management – accounts for the receipt and disbursement of funds from state and local government for emergency management/civil defense purposes as restricted by grant agreements.

County Bridge and Road Improvement – accounts for the receipt of funds from the State of Oklahoma to be disbursed for bridge and road improvement projects.

Rural Fire-ST – accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax ballot/resolution.

Sheriff-ST – accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax ballot/resolution.

Highway-ST – accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax ballot/resolution.

Fair Improvement-ST – accounts for the collection of sales tax revenue and the disbursement of funds for the Expo Center as restricted by the sales tax ballot/resolution.

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

Extension-ST – accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax ballot/resolution.

Senior Citizens-ST – accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax ballot/resolution.

Court Clerk Payroll – accounts for funds deposited by the Court Clerk to be used for payroll expenses for that office.

Sheriff Forfeiture – accounts for the collection and disbursement of forfeited funds as restricted by state statute.

County Donations – accounts for the receipt and disbursement of funds for restricted purposes.

CDBG – accounts for federal grants received from the Oklahoma Department of Commerce to be disbursed as restricted by grant agreements.

COVID Aid and Relief – accounts for federal grant monies received from the Coronavirus Relief fund for the reimbursement of COVID-19 related expenditures. Disbursements are for any lawful purpose of the County as directed by resolution.

American Rescue Plan Act 2021– accounts for federal grant monies received from the American Rescue Plan Act. Disbursements are restricted per federal grant guidelines.

C. Basis of Accounting

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

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

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

D. Budget

Under current Oklahoma Statutes, a general fund and a county health department fund are the only funds required to adopt a formal budget. On or before May 31 of each year, each officer or department head submits an estimate of needs (budget) to the governing body. The budget is approved for the respective fund by office, or department and object. Within weeks, the County Budget Board may approve changes of appropriations within the fund by office or department and object.

E. Cash

For the purposes of financial reporting, "Ending Cash Balances, June 30" includes cash and cash equivalents 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

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

1. The County Treasurer, according to the law, shall give notice of delinquent taxes and special assessments by publication once a week for two consecutive weeks at any time after April 1, but prior to the end of September following the year the taxes were first due and payable. Unpaid real property taxes become a lien upon said property after the treasurer has perfected the lien by public notice.

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

3. Other Information

A. Pension Plan

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

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

B. Other Post Employment Benefits (OPEB)

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

C. Contingent Liabilities

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

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

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

D. Sales Tax

Sales Tax of July 27, 2010

A permanent sales tax was passed July 27, 2010. The sales tax of one-quarter percent (25%) of one cent is to provide revenues to Hughes County to be appropriated by the Board of County Commissioners for the purpose of providing funding for the fire departments in the communities of Atwood, Calvin, Dustin, Gerty, Holdenville, Horntown, Lamar, Non, Spaulding, Stuart, Wetumka, and Yeager, or others hereinafter established. The Hughes County, Oklahoma Special Sales Tax Resolution No. 030210 sets forth the division of funds stating that ninety-nine percent (99%) of the one quarter percent sales tax shall be divided equally between the fire departments listed above. The remaining one percent (1%) shall be placed in a cash fund for the Hughes County Fire Tax Board with funds to be used as deemed necessary for the improvement and enhancement of the operations and emergency response capabilities of the above listed fire departments. These funds are accounted for in the Rural Fire-ST fund.

Sales Tax of March 1, 2016

On March 1, 2016, the voters of Hughes County approved a three-quarters of one percent (75%) County Sales Tax for an unlimited duration beginning on July 1, 2016. The proceeds of this sales tax are allocated as follows: 40% for the maintenance and operation, equipment and salaries for the Sheriff's Department; 53.33% for the general operation and equipment for the construction and repair of county roads and bridges; 2% for general operation, equipment and construction and building repair of the Hughes County Expo; 2.67% for general operation, equipment and salaries of the OSU Extension office; 2% for general operation and equipment for the senior citizen centers of Hughes County, that are funded by Central Oklahoma Economic Development District, to be equitably divided to each senior center by the Board of County Commissioners. These funds are accounted for in the Sheriff-ST, Highway-ST, Fair Improvement-ST, Extension-ST and Senior Citizens-ST funds.

E. Interfund Transfers

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

- \$43,720 was transferred from Excess Resale fund (a trust and agency fund) to the Resale Property fund in accordance with 68 O.S. § 3131C.
- \$25,381 was transferred from Highway fund to the County Bridge & Road Improvement fund for reimbursement.

SUPPLEMENTARY INFORMATION

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

	General Fund		
	Budget	Actual	Variance
County Sheriff	\$ 703,388	\$ 700,763	\$ 2,625
County Treasurer	137,000	130,824	6,176
County Commissioners	224,773	220,963	3,810
OSU Extention	32,500	25,586	6,914
County Clerk	183,604	180,636	2,968
Court Clerk	124,113	114,756	9,357
County Assessor	147,259	125,520	21,739
Visual Inspection/Revaluation	193,260	127,584	65,676
Contracted Juvenile Detention	20,000	8,236	11,764
General Government	1,271,926	463,078	808,848
Excise - Equalization Board	3,726	3,587	139
County Election Expense	97,000	96,521	479
Emergency Management	36,500	15,346	21,154
County Jail	30,000	2,718	27,282
County Audit Budget Account	18,072	1,600	16,472
Free Fair Budget Account	10,000	8,028	1,972
Total Expenditures, Budgetary Basis	\$ 3,233,121	\$ 2,225,746	\$ 1,007,375

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

	Health Fund		
	Budget	Actual	Variance
Health and Welfare	\$ 1,134,947	\$ 213,033	\$ 921,914
Total Expenditures, Budgetary Basis	\$ 1,134,947	\$ 213,033	\$ 921,914

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

1. Budgetary Schedules

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

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

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
HUGHES COUNTY, OKLAHOMA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the total—all county funds of the accompanying Statement of Receipts, Disbursements, and Changes in Cash Balances of Hughes County, Oklahoma, as of and for the year ended June 30, 2021, and the related notes to the financial statement, which collectively comprise Hughes County’s basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated March 15, 2022.

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

Internal Control Over Financial Reporting

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

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. A *significant deficiency* is a deficiency, or a 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.



Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hughes County's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Hughes County's Response to Findings

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

Purpose of this Report

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



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

March 15, 2022

**HUGHES COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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

None reported.

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

Finding 2021-006 – Segregation of Duties Over the Receipting Process – Court Clerk (Repeat Finding)

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

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

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

Recommendation: The Oklahoma State Auditor & Inspector’s Office (OSAI) recommends that management be aware of these conditions and realize that concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. 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.

Management Response:

Court Clerk: We are now having at least two deputy clerks count the cash and verify totals on the deposit and documenting the review with their initials by the amount.

Auditor Response: The duties regarding the collection and depositing process are not adequately segregated.

**HUGHES COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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

Segregation of duties

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

Additionally, Principle 10 - Segregation of Duties states:

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

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

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

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



Cindy Byrd, CPA | State Auditor & Inspector

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