



# KAY COUNTY

## Single Audit

For the fiscal year ended June 30, 2016

**Cindy Byrd, CPA**  
State Auditor & Inspector

**SINGLE AUDIT REPORT  
KAY COUNTY, OKLAHOMA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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Cindy Byrd, CPA | State Auditor & Inspector

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May 5, 2021

TO THE CITIZENS OF  
KAY COUNTY, OKLAHOMA

Transmitted herewith is the Single Audit Report of Kay County, Oklahoma for the fiscal year ended June 30, 2016. Our audit report on 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* were issued under separate cover. The audit was conducted 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, Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

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 letters of the first and last names being capitalized.

CINDY BYRD, CPA  
OKLAHOMA STATE AUDITOR & INSPECTOR



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

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**Schedule of Expenditures of Federal Awards**

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

| Federal Grantor/Pass-Through<br>Grantor/Program Title                   | Federal<br>CFDA<br>Number | Pass-Through<br>Grantor's<br>Number | Federal<br>Expenditures |
|---|---------------------------|-------------------------------------|-------------------------|
| <b>U.S. DEPARTMENT OF INTERIOR</b>                                      |                           |                                     |                         |
| Office of the Secretary of the Interior                                 |                           |                                     |                         |
| Direct Grant:   |                           |                                     |                         |
| Payments In Lieu of Taxes   | 15.226                    | N/A                                 | \$ 109,149              |
| Total U.S. Department of Interior                                       |                           |                                     | <u>109,149</u>          |
| <b>U.S. DEPARTMENT OF JUSTICE</b>                                       |                           |                                     |                         |
| Office of Justice Programs  |                           |                                     |                         |
| Passed Through City of Ponca City:                                      |                           |                                     |                         |
| Edward Byrne Memorial Justice Assistance Grant Program                  | 16.738                    | N/A                                 | 2,570                   |
| Total U.S. Department of Justice  |                           |                                     | <u>2,570</u>            |
| <b>U.S. DEPARTMENT OF TRANSPORTATION</b>                                |                           |                                     |                         |
| Federal Highway Administration  |                           |                                     |                         |
| Passed Through the Bureau of Indian Affairs:                            |                           |                                     |                         |
| Highway Planning and Construction - Eight Kaw Bridges                   | 20.205                    | A11AC00002                          | 212,030                 |
| Highway Planning and Construction - Maintenance Agreement               | 20.205                    | A15AC00117                          | 11,779                  |
| Total Federal Highway Administration                                    |                           |                                     | <u>223,809</u>          |
| National Highway Traffic Safety Administration (NHTSA)                  |                           |                                     |                         |
| Passed Through the Oklahoma Highway Safety Office:                      |                           |                                     |                         |
| State and Community Highway Safety                                      | 20.600                    | AL-16-03-05-08                      | 2,470                   |
| Minumum Penalties for Repeat Offenders for Driving While Intoxicated    | 20.608                    | AL-15-03-05-07                      | 4,404                   |
| Total National Highway Traffic Safety Administration                    |                           |                                     | <u>6,874</u>            |
| Total U.S. Department of Transportation                                 |                           |                                     | <u>230,683</u>          |
| <b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>                             |                           |                                     |                         |
| Federal Emergency Management Agency                                     |                           |                                     |                         |
| Passed Through the Oklahoma Department of Emergency Management:         |                           |                                     |                         |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036                    | DR-4064                             | 43                      |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036                    | DR-4222                             | 568,901                 |
| Total U.S. Department of Homeland Security                              |                           |                                     | <u>568,944</u>          |
| <b>Total Expenditures of Federal Awards</b>                             |                           |                                     | <u>\$ 911,346</u>       |

The accompanying notes are an integral part of this schedule.

**KAY COUNTY, OKLAHOMA**

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

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Basis of Presentation

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

Kay 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 for Kay County in response to severe storms, tornadoes, straight-line winds and flooding during the period of May 5-10, 2015. The County incurred \$150,446 in eligible expenditures in the prior fiscal year ending June 30, 2015. The Federal Emergency Management Agency approved all project worksheets for this disaster in 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 \$150,446 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.

The accompanying notes are an integral part of this schedule.

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



**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  
KAY COUNTY, OKLAHOMA

**Report on Compliance for Each Major Federal Program**

We have audited the compliance of Kay County, Oklahoma, with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Kay County's major federal program for the year ended June 30, 2016. Kay County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

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



## **Opinion on Each Major Federal Program**

In our opinion, Kay County, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2016.

## **Report on Internal Control Over Compliance**

Management of Kay 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 Kay 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 Kay 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 2016-012, 2016-013, and 2016-014, that we consider to be material weaknesses.

## **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the combined total—all county funds on the accompanying regulatory basis Statement of Receipts, Disbursements, and Changes in Cash Balances of Kay County, Oklahoma, as of and for the year ended June 30, 2016, and the related notes to the financial statement. We issued our report thereon dated July 6, 2020, which contained an unmodified opinion on the financial statement. Our audit was conducted for the purpose of forming an opinion on the financial statement. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statement. Such 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. The 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 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 is fairly stated in all material respects in relation to the financial statement as a whole.

### **Kay County's Response to Findings**

Kay 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. Kay 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

April 27, 2021 except as to the Schedule of Expenditures  
of Federal Awards, for which the date is July 6, 2020

## **Schedule of Findings and Questioned Costs**

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

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**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? ..... None reported

Noncompliance material to the financial statement noted? ..... Yes

For fiscal year 2016, the Financial Report for Kay County for the year ending June 30, 2016 was issued under separate cover dated July 6, 2020.

Federal Awards

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported  
in accordance with 2 CFR § 200.516(a) of the Uniform Guidance? ..... No

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

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

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**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 – Internal Controls and Noncompliance Over County Sales Tax Fund**

**Condition:** Upon inquiry and observation of the recordkeeping process of apportioning sales tax collections and disbursements of sales tax funds, the following was noted:

- The sales tax revenue is apportioned to the Sales Tax Fund and is co-mingled with \$2,670,380 from jail revenue received from Kay County Justice Facilities Authority (JFA).

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure collections are properly apportioned and appropriated to the designated funds.

**Effect of Condition:** These conditions resulted in noncompliance with state statute and AG Opinion.

**Recommendation:** The Oklahoma State Auditors & Inspector's Office (OSAI) recommends that the county sales tax money be accounted for separately from other revenue to ensure compliance with the state statute and AG Opinion.

**Management Response:**

**County Treasurer:** The process of co-mingling jail revenue and JFA received revenue was corrected in FY17. We now have a separate fund in sales tax monies, and they are apportioned directly to the JFA via purchase order.

**Chairman of the Board of County Commissioners:** This issue has been corrected. The sales tax money is accounted for in funds separately from other revenues.

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

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

*Compliance Objectives*

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

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

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Further, GAO Standards – Principle 6 – Defined Objectives and Risk Tolerances - 6.05 states:

*Definitions of Objectives*

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

Title 68 O.S. § 1370E requires 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 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 2016-005 – Internal Controls Over Signature Stamps and the Disbursement Process**

**Condition:** Upon inquiry, observation, the following weakness was noted:

- The signature stamps for the County Commissioners are retained in the County Clerk's office and are under the physical control of the County Clerk.

Of the sixty-five (65) disbursements tested, the following was noted:

- One (1) disbursement was not adequately documented due to lack of invoice.
- One (1) disbursement was not adequately documented due to timesheet could not be located.
- Eight (8) disbursements were not adequately documented due to timesheet not signed by employee and /or supervisor.

**Cause of Condition:** Policies and procedures have not been designed and implemented to adequately mitigate against the risk of unauthorized individuals having access to the elected officials' signature stamps.

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

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

**Recommendation:** 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. Disbursements should be supported by adequate documentation.

**Management Response:**

**Commissioner District 1:** Corrective action will be taken to resolve these concerns. My signature stamp will be in my possession, and solely for my use.

**Commissioner District 2:** These issues will be corrected. I will retain physical custody of my signature stamp and properly secure my signature stamp after each meeting.

**Commissioner District 3:** We are currently working to resolve these issues. I will ensure the security of my signature stamp and guard it from unauthorized use.

**County Clerk:** I was not fully aware of the possible risks related to access to the Commissioners' signature stamps. The County Clerk's office will no longer have physical custody of the Commissioners' signature stamps. Disbursements were reviewed to determine cause of noncompliance. Disbursements will be adequately documented, be reviewed and authorized, and be approved by the Board of County Commissioners, and/or management to ensure compliance with purchasing guidelines.

**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.



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

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

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

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

**Finding 2016-012– Lack of Internal Controls Over the Schedule of Expenditures of Federal Awards (Repeat Finding – 2013-006, 2014-006, 2015-006)**

**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, DR-4064

**FEDERAL AWARD YEAR:** 2016

**CONTROL CATEGORY:** Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Matching, and Special Tests and Provisions

**QUESTIONED COSTS:** \$-0-

**Condition:** 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 \$791,701.

The following misstatements were noted:

- The actual expenditures for the Flood Plain Management Services grant, CFDA 12.104 were \$0 and the County reported \$9,951. The County overstated the expenditures for CFDA 12.104 by \$9,951.
- The actual expenditures for the Edward Byrne Memorial Justice Assistance Grant Program, CFDA 16.738 were \$2,570 and the County reported \$2,620. The County overstated the expenditures for CFDA 16.738 by \$50.
- The actual expenditures for the Highway Planning and Construction grant, CFDA 20.205 were \$223,809 and the County reported \$974,395. The County overstated the expenditures for CFDA 20.205 by \$750,585.
- Expenditures for the State and Community Highway Safety grant, CFDA 20.600 received by the County were not reported. Actual expenditures for CFDA 20.600 were \$2,470.

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

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- The actual expenditures for the Alcohol Impaired Driving Countermeasures Incentive grant, CFDA 20.601 was \$0 and the County reported \$10,835. The County overstated the expenditures for CFDA 20.601 by \$10,835.
- Expenditures for the Minimum Penalties for Repeat Offenders for Driving While Intoxicated grant, CFDA 20.608 received by the County were not reported. Actual expenditures for CFDA 20.608 were \$4,404.
- The actual expenditures for Disaster Grants – Public Assistance (Presidentially Declared Disasters), CFDA 97.036 were \$568,944 and the County reported \$596,098. The County overstated CFDA 97.036 by \$27,154.

|  |                   |
|--|-------------------|
| Reported Total Expenditures of Federal Award   | \$1,703,047       |
| Less: Flood Plain Management Services (CFDA 12.104)  | (9,951)           |
| Less: Edward Byrne Memorial Justice Assistance<br>Grant Program (CFDA 16.735)              | (50)              |
| Less: Highway Planning and Construction (CFDA 20.205)                                      | (750,585)         |
| Add: State and Community Highway Safety (CFDA 20.600)                                      | 2,470             |
| Less: Alcohol Impaired Driving Countermeasures<br>Incentive (CFDA 20.601)                  | (10,835)          |
| Add: Minimum Penalties for Repeat Offenders for<br>Driving While Intoxicated (CFDA 20.608) | 4,404             |
| Add: Disaster Grants (CFDA 97.036)   | <u>(27,154)</u>   |
| Actual Federal Expenditures of Federal Awards  | <u>\$ 911,346</u> |
| Original SEFA Overstated by  | <u>\$ 791,701</u> |

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

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

**Recommendation:** The Oklahoma State Auditor and Inspector's Office (OSAI) recommends county officials and department heads gain an understanding of federal programs awarded to Kay 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:** I was not in office at this time. Kay County is currently working on policies and procedures to accurately track grants, including oversight and reporting of grant requirements.

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

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**County Clerk:** Kay County is currently working on internal control procedures to include federal policies and procedures in our officer's meetings to more accurately track federal revenue and expenditures for the SEFA report.

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

*Objectives of an Entity - Compliance Objectives*

Management conducts activities in accordance with applicable laws and regulations. As part of specifying compliance objectives, the entity determines which laws and regulations apply to the entity. Management is expected to set objectives that incorporate these requirements. Some entities may set objectives to a higher level of performance than established by laws and regulations. In setting those objectives, management is able to exercise discretion relative to the performance of the entity.

Title 2 CFR 200 § 200.510(a)(b) Financial Statements reads as follows: (a) Financial statements. The auditee must prepare financial statements that reflect its financial position, results of operations or changes in net assets, and, where appropriate, cash flows for the fiscal year audited. The financial statements must be for the same organizational unit and fiscal year that is chosen to meet the requirements of this part. However, non-Federal entity-wide financial statements may also include departments, agencies, and other organizational units that have separate audits in accordance with §200.514 Scope of audit, paragraph (a) and prepare separate financial statements. (b) 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.

Title 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).

Title 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.

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

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Title 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. [....]

**Finding 2016-013 – Lack of County-Wide Controls Over Major Federal Program – Disaster Grants – Public Assistance (Presidentially Declared Disasters) (Repeat Finding – 2013-007, 2014-007, 2015-007)**

**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, DR-4064

**FEDERAL AWARD YEAR:** 2016

**CONTROL CATEGORY:** Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Matching 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 resulted in noncompliance to grant requirements.

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

**Management Response:**

**Chairman of the Board of County Commissioners:** I was not in office at this time. Kay County will assess ways to design controls that will be effective to ensure compliance with grant requirements.

**County Clerk:** Kay County is working to improve our internal control procedures to make sure all federal grant requirements are in compliance with the grant contracts. These in-depth conversations will be discussed in our officers' internal control meetings.

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

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

*Definition of Internal Control*

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

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

*Components, Principles, and Attributes*

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

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

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

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

**Finding 2016-014 – Lack of Internal Controls Over Major Federal Program– Disaster Grants-Public Assistance (Presidential Declared Disasters) (Repeat Finding – 2013-008, 2014-008, 2015-008)**

**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, DR-4064

**FEDERAL AWARD YEAR:** 2016

**CONTROL CATEGORY:** Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Matching; 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 Kay County has not established procedures to ensure compliance with the following compliance requirements: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Matching and Special Tests and Provisions

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

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

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

**Management Response:**

**Chairman of the Board of County Commissioners:** I was not in office at this time. Kay County officials will work on policies and procedures for all employees involved with federal awards, to ensure compliance with federal requirements.

**County Clerk:** Kay County is working to improve our internal control procedures to make sure all federal grant requirements are in compliance with the grant contracts. These in-depth conversations will be discussed in our officers' internal control meetings.

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

*Objectives of an Entity – Compliance Objectives*

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

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

The non-Federal entity must:

(a) 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).

**APPENDIX A**

**CORRECTIVE ACTION PLAN**

**(Prepared by County Management)**

**JACK GODBERSON**  
2026 East Coleman Road  
Ponca City, Oklahoma 74604  
**District #1**  
(580) 765-3237

**JASON SHANKS**  
1125 West Dry Road  
Newkirk, Oklahoma 74647  
**District #2**  
(580) 362-2231

**JOHN WILSON**  
1814 West Dewey  
Blackwell, Oklahoma 74637  
**District #3**  
(580) 363-0160



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

| <b>Finding No.</b> | <b>Title (Financial) or CFDA No. &amp; Program Name (Federal)</b>                               | <b>Planned Corrective Action</b>  | <b>Anticipated Completion Date</b> | <b>Responsible Contact Person</b> |
|--------------------|---|---|------------------------------------|-----------------------------------|
| 2016-001           | Internal Controls and Noncompliance Over County Sales Tax Fund                                  | The County has separated fund in sales tax monies, and they are apportioned directly to the Justice Facilities Authority (JFA) via purchase order.  | 6/30/17                            | Christy Kennedy                   |
| 2016-005           | Internal Controls Over Signature Stamps and the Disbursement Process                            | Management understands the need to safeguard their signature stamp to avoid unauthorized use. Moreover, disbursements will be adequately documented, be reviewed and authorized and approved by BOCC. | 6/30/19                            | Tammy Reese                       |
| 2016-012           | Lack of Internal Controls and Noncompliance Over the Schedule of Expenditures of Federal Awards | Kay County is currently working on policies and procedures to accurately track grants, including oversight and reporting of grant requirements.   | 1/31/21                            | John Wilson                       |
| 2016-013           | Lack of County-Wide Controls Over Major Program – FEMA  | The Board of County Commissioners are currently assessing ways to design controls that will be effective in risk assessments and to ensure the County complies with all grant requirements.           | 1/31/21                            | John Wilson                       |
| 2016-014           | Lack of Internal Controls Over Major Federal Programs – FEMA                                    | Kay County officials will work on policy and procedures for all employees involved with federal awards, to ensure compliance with Federal requirements.   | 1/31/21                            | John Wilson                       |



**APPENDIX B**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**(Prepared by County Management)**

**JACK GODBERSON**  
2026 East Coleman Road  
Ponca City, Oklahoma 74604  
**District #1**  
(580) 765-3237

**JASON SHANKS**  
1125 West Dry Road  
Newkirk, Oklahoma 74647  
**District #2**  
(580) 362-2231

**JOHN A. WILSON**  
1814 West Dewey  
Blackwell, Oklahoma 74631  
**District #3**  
(580) 363-0160



**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 2015-001, 2014-001, and 2013-001**

**Inadequate Internal Controls and Noncompliance Over County Sales Tax**

**Finding Summary:** \$3,074,712.87 which were dedicated for the extinguishment of debt as approved on the sales tax ballot were improperly remitted to the Kay County Justice Authority and used for the operation of the jail. There is no oversight as to the calculation and utilization of sales tax for the purposes that were agreed upon by the voters of Kay County. The County is not ensuring that the correct percentage of sales tax collected is being applied towards debt retirement, as was described on the sales tax ballot.

**Status:** Not Corrected. The implemented policies and procedures to ensure the apportionment and expenditure of County sales tax collections comply with the sales tax ballot.

**Finding 2015-002, 2014-002, 2013-002, 2012-002, 2011-002, and 2010-002**

**Inadequate County-Wide Controls**

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

**Status:** Fully Corrected. The County now holds monthly staff meetings to address risk associated with the County. The County maintains a check list and documents each meeting and who attended.

**Finding 2015-003, 2014-003, 2013-003, 2012-011, 2011-011, and 2010-011**

**Inadequate Internal Controls and Noncompliance with State Statutes Regarding Acceptance of Bids**

**Finding Summary:** The Board of County Commissioners (BOCC) solicits bids for commonly-used goods and services, but its process of accepting bids does not appear to comply with 19 O.S. §1505(B) regarding the purchase of commonly-used items and 19 O.S. § 1501(A)(3)(j) regarding the purchase of "processed" native materials for road and bridge improvements.

**Status:** Fully Corrected. The County implemented policy and procedures to for bidding rules and regulations. All services and commonly used goods are bid and the lowest bid for each District is awarded. If the lowest bid is not awarded, documentation is maintained to why the lowest bid was not accepted.

**Finding 2015-004, 2014-004, 2013-004, 2012-010, 2010-010, 2009-007, and 2008-007**

**Inadequate Internal Controls and Noncompliance with State Statutes Regarding Bidding Procedures**

**Finding Summary:** Three (3) Purchase Orders should have been bid through the Public Competitive Bidding Act of 1974.

**Status:** Fully Corrected. The County adopted policy and procedures over projects and to make sure all projects are bid in accordance with state statutes.

**Finding 2015-005, 2014-005, 2013-005, 2012-008, 2011-008, and 2010-008**

**Inadequate Internal Controls Over Purchasing and Noncompliance with State Statute**

**Finding Summary:**

- Twenty-six (26) instances where the invoice dates and/or service dates were prior to the encumbrance dates for

purchase orders.

- Twenty-one (21) instances where there was inadequate supporting documentation for the expenditure.
- Fourteen (14) instances where there was no receiving report attached to attest to the receiving of goods or services.
- Three (3) instances where the expenditure was not made for the appropriate amount.
- Three (3) instance where the expenditure was not charged to the proper period.
- One (1) instance where the expenditure was not reviewed/authorized.
- The County sold equipment at an auction on March 13 and 14, 2015, and continued to make payments on the equipment loan until May 13, 2015.

**Status:** Partially Corrected. The County implemented policy and procedures to address each purchase that is not in compliance with state statutes. All non-compliance purchase orders are separated, tracked on a ledger, then given to the District Attorney. The D.A. will address each office regarding the non-compliance and have them sign the document. Once the purchase order is received back, it is presented to the Board for approval. However, the County still has not addressed safeguarding their signature stamp to avoid unauthorized use.

## FEDERAL AUDIT FINDINGS

### **Finding 2015-006, 2014-006, 2013-006, 2012-003, 2011-003, 2010-003, 2009-009, and 2008-010**

#### **Schedule of Expenditures of Federal Awards**

**Pass-Through Grantor:** All

**Federal Agency:** All

**CFDA No:** All

**Federal Program Name:** All

**Federal Grant Award Number:** All

**Federal Award Year:** 2015

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

**Control Category:** All

**Questioned Costs:** \$-0-

**Finding Summary:** Schedule of Expenditures of Federal Awards being understated by \$48,716.

**Status:** Not Corrected. To correct this issue, Kay County is currently working on policies and procedures to accurately tack grants, including oversight and reporting of grant requirements. These policies and procedures are intended to identify requirements for recipients and sub-recipients to ensure compliance with all applicable compliance requirements.

### **Finding 2015-007, 2014-007, 2013-007, 2012-016, 2011-016, and 2010-016**

#### **Inadequate County Wide Controls Over Major Programs – BIA**

**Pass-Through Grantor:** Bureau of Indian Affairs

**Federal Agency:** U.S. Department of Transportation

**CFDA No:** 20.205

**Federal Program Name:** Highway Planning and Construction

**Federal Grant Award Number:** AGB00110003, A13AC00017, AGB00110001, A13AC00014, A13AC00016, A13AC00098, A11AC00002

**Federal Award Year:** 2015

**Control Category:** Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Davis-Bacon Act; Matching, Level of Effort, Earmarking; Period of Availability; Procurement and Suspension and Debarment, and Reporting.

**Questioned Costs:** \$-0-

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

**Status:** Not Corrected. To correct this issue, Kay County officials will work on policy and procedures for all employees involved with federal awards, to ensure compliance with Federal requirements and to report expenditures and revenues for all Federal awarded programs.

**Finding 2015-8, 2014-8, 2013-8, 2012-17, 2011-17, and 2010-17**

**Inadequate Internal Controls and Noncompliance Over Major Programs – BIA**

**Pass-Through Grantor:** Bureau of Indian Affairs

**Federal Agency:** U.S. Department of Transportation

**CFDA No:** 20.205

**Federal Program Name:** Highway Planning and Construction

**Federal Grant Award Number:** AGB00110003, A13AC00017, AGB00110001, A13AC00014, A13AC00016, A13AC00098, A11AC00002

**Federal Award Year:** 2015

**Control Category:** Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Davis-Bacon Act; Period of Availability; and Procurement and Suspension and Debarment

**Questioned Costs:** \$1,092,473

**Finding Summary:** County has not established internal controls to ensure compliance with following compliance requirements: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Davis-Bacon Act; Period of Availability; and Procurement and Suspension and Debarment.

**Status:** Not Corrected. To correct this issue, Kay County officials will work on policy and procedures for all employees involved with federal awards, to ensure compliance with Federal requirements and to report expenditures and revenues for all Federal awarded programs.



Cindy Byrd, CPA | State Auditor & Inspector

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