



KAY COUNTY

Financial Audit

For the fiscal year ended June 30, 2020

Cindy Byrd, CPA
State Auditor & Inspector

**KAY COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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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

December 21, 2021

TO THE CITIZENS OF
KAY COUNTY, OKLAHOMA

Transmitted herewith is the audit of Kay County, Oklahoma for the fiscal year ended June 30, 2020. 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". The signature is fluid and cursive, with the first and last names clearly legible.

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



**KAY COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Board of County Commissioners

District 1 – Jack Godberson
District 2 – Jason Shanks
District 3 – John A Wilson

County Assessor

Susan Keen

County Clerk

Tammy Reese

County Sheriff

Steve Kelley

County Treasurer

Christy Kennedy

Court Clerk

Marilee Thornton

District Attorney

Brian Hermanson

**KAY COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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KAY COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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FINANCIAL SECTION

Independent Auditor's Report

TO THE OFFICERS OF
KAY 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 Kay County, Oklahoma, as of and for the year ended June 30, 2020, 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 Kay 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 Kay County as of June 30, 2020, 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 Kay County, for the year ended June 30, 2020, in accordance with the basis of accounting described in Note 1.

Other Matters

Supplementary Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2021, on our consideration of Kay 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 Kay 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

November 18, 2021

REGULATORY BASIS FINANCIAL STATEMENT

KAY COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS
(WITH COMBINING INFORMATION)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Beginning Cash Balances July 1, 2019	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2020
Combining Information:						
County General Fund	\$ 4,262,105	\$ 6,301,197	\$ 11,140	\$ 11,140	\$ 6,074,131	\$ 4,489,171
Highway Cash	2,122,101	5,095,407	15,298	-	4,614,922	2,617,884
Highway CBRIF	534,714	562,139	-	-	252,340	844,513
Resale Property	630,040	225,939	-	-	226,910	629,069
County Health Department	1,686,376	907,864	-	-	428,865	2,165,375
Sheriff Service Fee	270,289	293,253	14	-	265,361	298,195
Sheriff Commissary	14	-	-	14	-	-
County Clerk Lien Fee	145,924	13,747	-	-	1,936	157,735
County Treasurer Mortgage Certification Fee	64,410	6,075	-	-	224	70,261
County Clerk Records Management	158,789	72,731	-	-	75,051	156,469
Sheriff Training	838	-	-	-	-	838
Community Service Sentencing Program	1,231	-	-	-	-	1,231
Use Tax - ST	2,550,668	618,287	-	-	20,000	3,148,955
Jail - ST	303,418	3,731,744	-	-	3,725,382	309,780
Local Emergency Planning Committee Grant	5,640	-	-	-	-	5,640
Juvenile Accountability Incentive Block Grant	3,015	-	-	-	-	3,015
Assessor Revolving Fee	76,243	16,916	-	-	14,448	78,711
Reward Fund	5,895	393	-	-	-	6,288
County Donations	85,559	13,523	-	-	24,911	74,171
JAG Grant	3,358	13,943	-	-	5,091	12,210
Combined Total - All County Funds	\$ 12,910,627	\$ 17,873,158	\$ 26,452	\$ 11,154	\$ 15,729,572	\$ 15,069,511

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

**KAY COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

1. Summary of Significant Accounting Policies

A. Reporting Entity

Kay 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 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.

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

Highway CBRIF – accounts for revenues from the Oklahoma Department of Transportation for County Commissioners' bridge and road funds and disbursements are earmarked for bridges, roads, and certain improvements to roads.

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

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

**KAY COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

Sheriff Commissary – accounts for profits on commissary sales in the County jail and disbursement of funds are restricted by state statute.

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

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

County Clerk Records Management – accounts for fees collected for instruments filed with the County Clerk and disbursements are for the maintenance and preservation of public records.

Sheriff Training – accounts for collections from the sale of property forfeited in drug cases and disbursements are for the enforcement of controlled dangerous substance laws.

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

Use Tax - ST – accounts for revenues from sales tax charged to out-of-county vendors on in-county sales. Disbursements are for legal expenses of the County.

Jail - ST – accounts for collections of sales tax revenue and disbursed to the Kay County Justice Facilities Authority for bond payments and maintenance and operation of the jail.

Local Emergency Planning Committee Grant – accounts for grant monies received for the Local Emergency Planning Committee at Ponca City and disbursements are for emergency planning.

Juvenile Accountability Incentive Block Grant – accounts for the receipt and disbursement of funds from the U.S. Department of Justice to promote and strengthen greater accountability in the Juvenile Justice System.

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

Reward Fund – accounts for the monies collected from fines imposed for littering and disbursed to citizens involved in reporting of littering offenses.

County Donations – accounts for donations to the County for specified projects as restricted by Board of County Commissioners' resolutions.

**KAY COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

JAG Grant – accounts for the receipt and disbursement of funds from the U.S. Department of Justice for the purchase of equipment for law enforcement.

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 with all other funds included in the audit presented in the aggregate in a combining statement. However, the County has elected to present all funds included in the audit in the Statement of Receipts, Disbursements, and Changes in Cash Balances—Regulatory Basis.

D. Budget

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

E. Cash and Investments

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

State statutes require financial institutions with which the County maintains funds to deposit collateral securities to secure the County’s deposits. The amount of collateral securities to be

**KAY COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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.

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

**KAY COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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. Sales Tax

Sales Tax of October 1, 2008

The voters of Kay County approved a county sales tax of two-thirds (.6665) of one (1) cent effective October 1, 2008. This sales tax was established to provide revenue for the acquisition, construction, and equipping of the new Kay County Juvenile Facilities Authority (JFA). A portion of the sales-tax, one-third (.33325) of one (1) cent, shall have a limited duration of twenty years from the date of commencement, or until principal and interest upon indebtedness incurred on behalf of Kay County by the JFA is paid in full. The remaining one-third (.33325) of one (1) cent is for maintenance and operations of the JFA and will continue until repealed by a majority of the electors in Kay County. These funds are accounted for in the Jail - ST fund.

**KAY COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Sales Tax of October 8, 2019

The voters of Kay County approved a one-fourth of one (1) percent sales tax effective January 1, 2020 for a term of thirteen (13) years from the effective date of the tax or at the date of retirement of any debt incurred related thereto, whichever occurs earlier, for the funding of the design, construction, financing, furnishings, capital facilities and improvements, equipment, fixtures, site acquisition, site preparation, street improvements, relocation of offices, and other facilities, and maintenance and operation expenses for the Kay County Courthouse renovation and annex construction project located in Kay County. These funds are currently accounted for in the Public Building Authority fund (a trust and agency fund).

E. Tax Abatements

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

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

The County had \$1,448,408 of ad valorem taxes abated under this program for the fiscal year ended June 30, 2020.

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

F. Interfund Transfers

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

- \$11,140 was transferred from the County General Fund to the following trust and agency funds: \$7,206 to the Drug Court fund and \$3,934 to the Mental Health fund as temporary loans for payroll services in accordance with 68 O.S. § 3021.

**KAY COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

- \$11,140 was transferred to the County General Fund from the following trust and agency funds: \$7,206 from the Drug Court fund and \$3,934 from the Mental Health fund for the repayment of a loan in accordance with 68 O.S. § 3021.
- Residual transfer of \$15,298 was transferred from the PBA KCD#3 fund (a trust and agency fund) to the Highway Cash fund by Board of County Commissioners' (BOCC) resolution to close the fund.
- Residual transfer of \$14 was transferred from the Sheriff Commissary fund to the Sheriff Service Fee fund by BOCC resolution to close the fund.

SUPPLEMENTARY INFORMATION

KAY 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, 2020

	General Fund		
	Budget	Actual	Variance
District Attorney	\$ 115,750	\$ 115,747	\$ 3
County Sheriff	1,198,259	1,183,216	15,043
County Treasurer	187,305	187,075	230
County Commissioners	555,532	555,027	505
OSU Extension	176,188	121,909	54,279
County Clerk	222,853	211,812	11,041
Court Clerk	340,138	337,703	2,435
County Assessor	192,102	188,638	3,464
Revaluation of Real Property	309,305	302,805	6,500
General Government	615,600	503,383	112,217
Excise-Equalization Board	5,200	4,249	951
County Election Board	203,923	197,156	6,767
Insurance - Benefits	4,627,075	1,627,973	2,999,102
Purchasing Agent	46,405	45,743	662
Information Technology	47,000	33,459	13,541
Courthouse Security	35,000	33,191	1,809
Charity	5,000	1,900	3,100
County Audit Budget Account	201,487	170,291	31,196
Free Fair Budget Account	32,000	31,928	72
Emergency Management	47,215	42,294	4,921
Unapportioned Court	198,081	198,081	-
Total Expenditures, Budgetary Basis	<u>\$ 9,361,418</u>	<u>\$ 6,093,580</u>	<u>\$ 3,267,838</u>

KAY COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—
BUDGETARY BASIS—HEALTH FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Health Fund		
	Budget	Actual	Variance
Health and Welfare	\$ 2,462,277	\$ 636,103	\$ 1,826,174
Total Expenditures, Budgetary Basis	\$ 2,462,277	\$ 636,103	\$ 1,826,174

**KAY COUNTY, OKLAHOMA
NOTE TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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 (with Combining Information) because of adopting certain aspects of the budgetary basis of accounting and the adjusting of encumbrances and outstanding warrants to their related budget year.

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**KAY COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. DEPARTMENT OF DEFENSE			
Department of the Army			
Passed Through the Oklahoma Treasurer's Office:			
Flood Plain Management Services	12.104	N/A	\$ 9,549
Total U.S. Department of Defense			<u>9,549</u>
U.S. DEPARTMENT OF INTERIOR			
Office of the Secretary of the Interior			
Direct Grant			
Payments In Lieu of Taxes	15.226	N/A	110,369
Total U.S. Department of Interior			<u>110,369</u>
U.S. DEPARTMENT OF JUSTICE			
Office of Justice Programs			
Direct Grant:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	6,225
Total U.S. Department of Justice			<u>6,225</u>
U.S. DEPARTMENT OF TRANSPORTATION			
Federal Highway Administration			
Passed Through the Bureau of Indian Affairs			
Highway Planning and Construction - Maintenance Agreement	20.205	A15AC00117	24,063
Highway Planning and Construction - Six Bridges	20.205	A17AC00043	750,479
Highway Planning and Construction - Seven Bridges	20.205	A19AC00027	22,000
Total U.S. Department of Transportation			<u>796,542</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Federal Emergency Management Agency			
Passed Through the Oklahoma Department of Emergency Management:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR- 4438	482,191
Total U.S. Department of Homeland Security			<u>482,191</u>
Total Expenditures of Federal Awards			<u>\$ 1,404,876</u>

KAY COUNTY, OKLAHOMA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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).

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
KAY COUNTY, OKLAHOMA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined total—all funds of the accompanying Statement of Receipts, Disbursements, and Changes in Cash Balances (with Combining Information) of Kay County, Oklahoma, as of and for the year ended June 30, 2020, and the related notes to the financial statement, which collectively comprises Kay County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated November 18, 2021.

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, 2020, 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 Kay 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 Kay County's internal control. Accordingly, we do not express an opinion on the effectiveness of Kay 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 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 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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a material weakness: 2020-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Kay 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 2020-001.

Kay County's Response to Findings

Kay County's response to the 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 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.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

November 18, 2021

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

TO THE OFFICERS OF
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, 2020. 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 requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2020.



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 2020-007 and 2020-008, that we consider to be material weaknesses.

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.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

November 18, 2021

**KAY COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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 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: 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 Program

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction

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, 2020

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 2020-001 - Lack of Internal Controls and Noncompliance Over the Discrete Presentation of the Sales Tax Activity

Condition: While gaining an understanding of internal controls and observation of the recordkeeping process of expending the county sales tax, the following was noted:

- Sales tax revenue in the amount of \$477,393 was apportioned directly to the Public Building Authority (PBA) fund, a trust and agency fund.
- Sales tax revenue in the amount of \$699 was not apportioned to the appropriate fund in accordance with the sales tax ballot.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure compliance with the sales tax ballot, state statute 68 O.S. § 1370(E), and Attorney General (AG) Opinion 2014 OK AG 15.

Effect of Condition: This condition resulted in noncompliance with the sales tax ballot, state statute and AG Opinion. Further, these conditions could result in unrecorded transactions, misstated financial reports, undetected errors, and/or misappropriation of funds.

Recommendation: The Oklahoma State Auditors and Inspector's Office (OSAI) recommends the sales tax be apportioned to a Special Revenue Sales Tax Fund or the County General Fund in accordance Title 68 § 1370(E) and with AG Opinion 2014 OK AG 15. In addition, the sales tax should be apportioned to the appropriate fund per the sales tax ballot.

Management Response:

County Treasurer: Kay County has implemented the recommendations of the State Auditor and Inspector's Office and is now apportioning Public Building Authority sales tax collections to a Special Revenue Sales Tax Fund as of April 2021.

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.

**KAY COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

Compliance Objectives

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

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

Definitions of Objectives

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

Title 68 O.S. § 1370(E) requires the sales tax collections to 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.”

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

Finding 2020-007 – Lack of County-Wide Controls Over Major Program – Highway Planning and Construction (Repeat Finding – 2013-007, 2014-007, 2015-007, 2016-013, 2017-013, 2018-013)

PASS-THROUGH GRANTOR: Bureau of Indian Affairs - BIA
FEDERAL AGENCY: U.S. Department of Transportation
CFDA NO: 20.205

**KAY COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

FEDERAL PROGRAM NAME: Highway Planning and Construction

FEDERAL AWARD NUMBER: A15AC00117, A17AC00043 and A19AC00027

FEDERAL AWARD YEAR: 2020

CONTROL CATEGORY: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Matching; Period of Performance; 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 to grant requirements.

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

Management Response:

Chairman, Board of County Commissioners: The County will work to implement a risk assessment plan during our internal control meetings to help make sure we are in compliance with all grant requirements.

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.

KAY COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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 2020-008 - Lack of Internal Controls Over Major Federal Program – Highway Planning and Construction (Repeat Finding – 2013-008, 2014-008, 2015-008, 2017-014, 2018-014)

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 AWARD NUMBER: A15AC00117, A17AC00043 and A19AC00027

FEDERAL AWARD YEAR: 2020

CONTROL CATEGORY: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Matching; Period of Performance; 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 Kay County has not established procedures to ensure compliance with the following compliance requirements: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Matching; Period of Performance; Procurement and Suspension and Debarment, 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.

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, Board of County Commissioners: Kay County officials will implement procedures to ensure federal expenditures are made in accordance with federal compliance requirements.

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

**KAY COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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 74631
District #3
(580) 363-0160



**Corrective Action Plan
in accordance with 2 CFR § 200.511c
for the fiscal year ended June 30, 2020**

Finding No.	Title (Financial) or CFDA No. & Program Name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2020-001	Lack of Internal Controls and Noncompliance Over Sales Tax	Kay County has implemented policies and procedures to apportion Public Building Authority Sales tax collections to a special Revenue Sales Tax Fund.	4/30/21	Christy Kennedy – County Treasurer
2020-007	20.205 Highway Planning and Construction	Kay County is currently working on a risk assessment plan during our internal control meetings to help make sure we are in compliance with all grant requirements and to ensure federal funds are expended in accordance with grant agreements in a timely manner.	7/30/21	Jason Shanks – Chairman of the BOCC
2020-008	20.205 Highway Planning and Construction	Kay County officials are currently working to implement procedures to ensure federal expenditures are made in accordance with federal compliance requirements.	7/30/21	Jason Shanks – Chairman of the BOCC

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 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, 2020**

FINANCIAL AUDIT FINDINGS

Finding 2018-003, 2017-003, 2016-005**Internal Controls and Noncompliance Over Disbursements**

- **Finding Summary:** 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.

Status: Fully Corrected.

Finding 2018-011, 2017-010**Internal Controls Over the Financial Statement Presentation.**

Finding Summary: Due to the misclassification of County Funds the balances, apportionments, transfers and disbursements were misstated.

Beginning Balance	Apportioned	Transfer In	Transfer Out	Disbursements	Ending Balance
(\$1,118,580)	(\$1,012,074)	\$2,428	(\$147,572)	(\$1,945,752)	(\$34,902)

Status: Fully Corrected.

FEDERAL AUDIT FINDINGS

Finding 2018-012, 2017-012, 2016-012, 2015-006, 2014-006, 2013-006, 2012-003, 2011-003, 2010-003, 2009-009, and 2008-010**Lack of Internal Controls and Noncompliance Over the Schedule of Expenditures of Federal Awards**

PASS-THROUGH GRANTOR: Bureau of Indian Affairs - BIA

FEDERAL AGENCY: U.S. Department of Transportation

CFDA NO: 20.205

FEDERAL PROGRAM NAME: Highway Planning and Construction

FEDERAL AWARD NUMBER: A17AC00043, A15AC00117, A16AC00065

FEDERAL AWARD YEAR: 2018

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.

Questioned Costs: \$-0-

Finding Summary: Schedule of Expenditures of Federal Awards being understated by \$117,288

Status: Not Corrected. To correct this issue, the County plans implementing internal control procedures to accurately track and report federal revenues and expenditures on the SEFA. To ensure compliance with federal requirements, and to report expenditures and revenues for all federally awarded programs. The process will be monitored by Kay County.

Finding 2018-013, 2017-013, 2016-013, 2015-007, 2014-007, 2013-007, 2012-016, 2011-016, and 2010-016

Lack of County Wide Controls Over Major Programs - Highway Planning and Construction

PASS-THROUGH GRANTOR: Bureau of Indian Affairs - BIA

FEDERAL AGENCY: U.S. Department of Transportation

CFDA NO: 20.205

FEDERAL PROGRAM NAME: Highway Planning and Construction

FEDERAL AWARD NUMBER: A17AC00043, A15AC00117, A16AC00065

FEDERAL AWARD YEAR: 2018

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

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 plans on implementing policy and procedures to accurately track grants, including oversight and reporting of grant requirements. These policies and procedures are intended to identify requirements for recipients to ensure compliance with all applicable compliance requirements.

Finding 2018-014, 2017-014, 2016-014, 2015-008, 2014-008, 2013-008, 2012-017, 2011-017, and 2010-017

Lack of Internal Controls Over Major Federal Programs – Highway Planning and Construction

PASS-THROUGH GRANTOR: Bureau of Indian Affairs - BIA

FEDERAL AGENCY: U.S. Department of Transportation

CFDA NO: 20.205

FEDERAL PROGRAM NAME: Highway Planning and Construction

FEDERAL AWARD NUMBER: A17AC00043, A15AC00117, A16AC00065

FEDERAL AWARD YEAR: 2018

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

QUESTIONED COSTS: \$-0-

Finding Summary: Kay County has not established procedures to ensure compliance with the following compliance requirements: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching; Period of Performance; Procurement and Suspension and Debarment; and Special Tests and Provisions

Status: Partially Corrected. To correct this issue, Kay County plans on implementing policy and procedures to ensure compliance with all grant requirements including activities allowed, allowable costs, matching and special provisions.

Finding 2018-015, 2017-015

Noncompliance with Activities Allowed or Unallowed and Allowable Costs/Cost Principles – Highway Planning and Construction

PASS-THROUGH GRANTOR: Bureau of Indian Affairs - BIA

FEDERAL AGENCY: U.S. Department of Transportation

CFDA NO: 20.205

FEDERAL PROGRAM NAME: Highway Planning and Construction

FEDERAL AWARD NUMBER: A17AC00043, A15AC00117, A16AC00065

FEDERAL AWARD YEAR: 2018

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

QUESTIONED COSTS: \$9,551

Finding Summary: One (1) purchase order was not allowed by the BIA Maintenance Co-operative Agreement in the amount of \$9,551

Status: Fully Corrected.

Finding 2018-017, 2017-017

Noncompliance with Procurement and Suspension and Debarment Requirement

PASS-THROUGH GRANTOR: Bureau of Indian Affairs - BIA

FEDERAL AGENCY: U.S. Department of Transportation

CFDA NO: 20.205

FEDERAL PROGRAM NAME: Highway Planning and Construction

FEDERAL AWARD NUMBER: A17AC00043, A15AC00117, A16AC00065

FEDERAL AWARD YEAR: 2018

CONTROL CATEGORY: Procurement and Debarment and Suspension

QUESTIONED COSTS: \$-0-

Finding Summary: System for Award Management (SAM) was not performed and/or retained for all vendors.

Status: Fully Corrected.



Cindy Byrd, CPA | State Auditor & Inspector

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