

COUNTY AUDIT

LEFLORE COUNTY

For the fiscal year ended June 30, 2015



*Independently serving the citizens of
Oklahoma by promoting the
accountability and fiscal integrity of
governmental funds.*



Oklahoma State
Auditor & Inspector
Gary A. Jones, CPA, CFE

**LeFLORE COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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



Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

December 5, 2017

TO THE CITIZENS OF
LeFLORE COUNTY, OKLAHOMA

Transmitted herewith is the audit of LeFlore County, Oklahoma for the fiscal year ended June 30, 2015. The audit was conducted in accordance with 19 O.S. § 171.

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

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

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

Sincerely,

A handwritten signature in blue ink that reads "Gary A. Jones". The signature is written in a cursive style with a long, sweeping underline.

GARY A. JONES, CPA, CFE
OKLAHOMA STATE AUDITOR & INSPECTOR

**LeFLORE COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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**LeFLORE COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

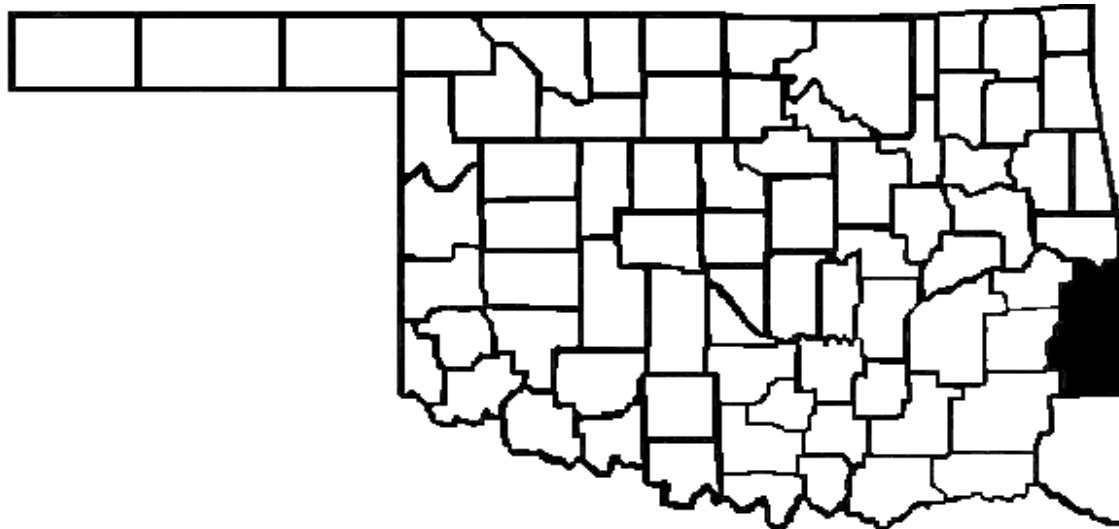
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**LeFLORE COUNTY, OKLAHOMA
STATISTICAL INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**



Once part of the Choctaw Nation, Indian Territory, LeFlore County is diverse in its topography. With rugged hills, narrow valleys and productive farmland, there is a gentle blending of modern days and old ways. Many of the towns were established as a result of railroad expansion.

Within its borders there are two hospitals, seven libraries, a two-year college, three vocational schools, five newspapers, a veteran's center, and numerous clinics. Manufacturing produces such items as refrigerator parts, instrument panels, crackers, and cattle feed. Carl Albert State College offers courses to more than 2,000 full and part-time students annually.

Poteau, the county seat, was home to late Senator Robert S. Kerr. Tourism is an important aspect of the LeFlore County economy. The Heavener Runestone and Spiro Mounds are well-known historic sites, as are stops on the old Butterfield Trail. Hailed as the first transcontinental link between East and West, several stops are still found in the northern part of the county. The Ouachita National Forest, including the Talimena Scenic Drive, dominates the southern half of the county. Annual events include the Cavanal Fall Festival and Auto Show in October near Poteau.

For more information, call the county clerk's office at 918-647-5738.

County Seat – Poteau

Area – 1,608.03 Square Miles

County Population – 49,761
(2014 est.)

Farms – 1,843

Land in Farms – 395,048 Acres

Primary Source: Oklahoma Almanac 2015-2016

**LeFLORE COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Board of County Commissioners

District 1 – Derwin Gist
District 2 – Lance Smith
District 3 – Ceb Scott

County Assessor

Brenda Cockburn

County Clerk

Kelli Ford

County Sheriff

Rob Seale

County Treasurer

Joe Wiles

Court Clerk

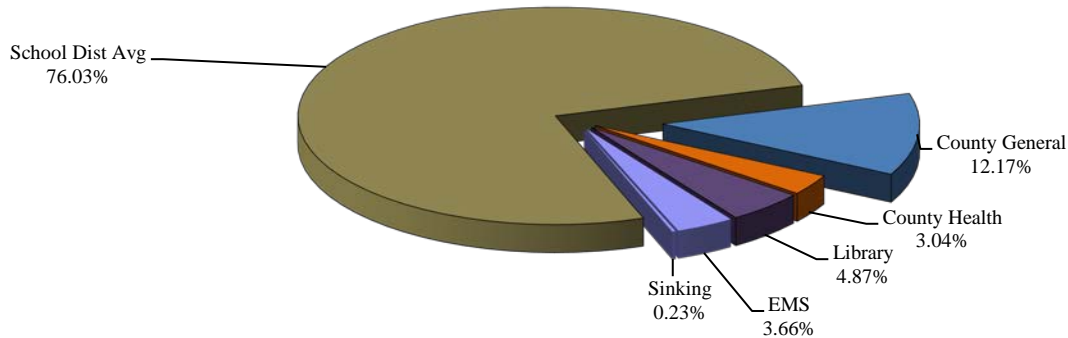
Melba Hall

District Attorney

Jeff Smith

**LeFLORE COUNTY, OKLAHOMA
ASSESSED VALUE OF PROPERTY
TREND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

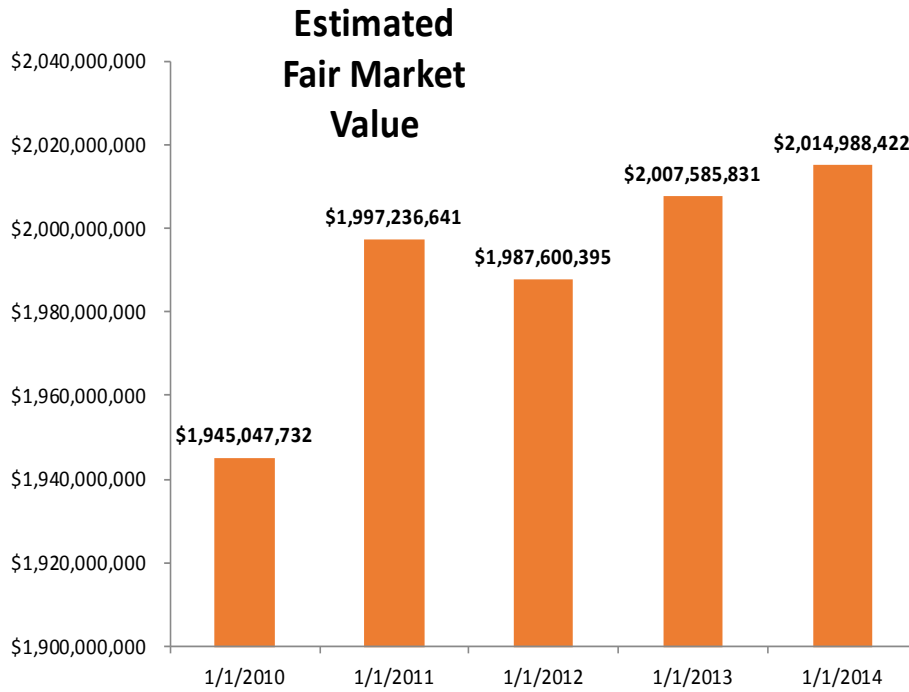
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the tax on that property is \$1.00. This chart shows the different entities of the County and their share of the various millages as authorized by the Constitution.



County-Wide Millages			School District Millages						
				Gen.	Bldg.	Skg.	Career Tech	Common	Total
County General	10.29								
County Health	2.57	Spiro	I-2	35.96	5.14	8.53	12.35	4.12	66.10
Library	4.12	Heavener	I-3	35.84	5.12	11.29	12.35	4.12	68.72
EMS	3.09	Shady Point	C-4	36.11	5.16	4.94	12.35	4.12	62.68
Sinking	0.19	Pocola	I-7	35.81	5.12	5.59	12.35	4.12	62.99
		Monroe	C-11	36.73	5.25	11.82	12.35	4.12	70.27
		Hodgen	C-14	36.65	5.24	10.26	12.35	4.12	68.62
		LeFlore	I-16	36.69	5.24	18.76	12.35	4.12	77.16
		Cameron	I-17	36.74	5.25	-	12.35	4.12	58.46
		Panama	I-20	35.83	5.12	-	12.35	4.12	57.42
		Bokoshe	I-26	36.37	5.20	-	12.35	4.12	58.04
		Poteau	I-29	35.85	5.12	8.89	12.35	4.12	66.33
		Fanshawe	C-39	36.40	5.20	7.71	12.35	4.12	65.78
		Wister	I-49	36.52	5.22	6.91	12.35	4.12	65.12
		Talihina	I-52	35.93	5.13	-	12.35	4.12	57.53
		Whitesboro	I-62	36.38	5.20	-	12.35	4.12	58.05
		Howe	I-67	36.35	5.19	13.54	12.35	4.12	71.55
		Arkoma	I-91	35.87	5.12	-	12.35	4.12	57.46
		Red Oak	JT-2	35.09	5.01	11.92	12.35	4.12	68.49
		Smithville	JT-14	35.52	5.07	7.03	12.35	4.12	64.09
		McCurtain	JT-37	37.07	5.30	-	12.35	4.12	58.84
		Cowlington/Keota	JT-43	36.94	5.28	7.37	12.35	4.12	66.06

**LeFLORE COUNTY, OKLAHOMA
 ASSESSED VALUE OF PROPERTY
 TREND ANALYSIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

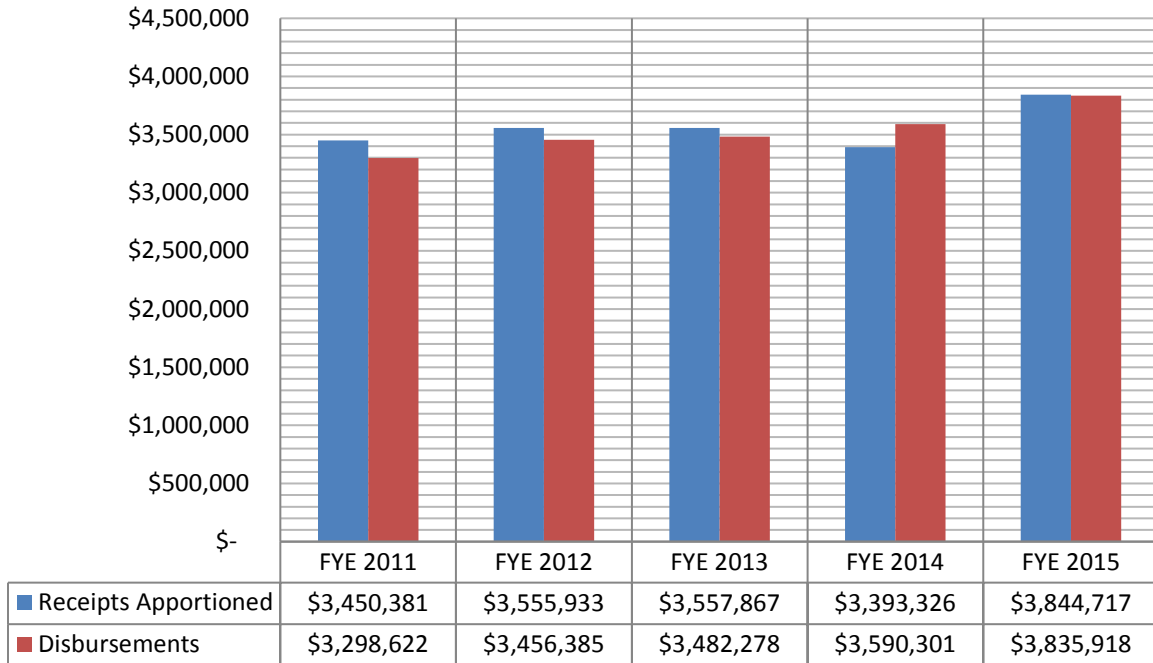
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2014	\$43,301,105	\$29,139,158	\$164,320,018	\$13,795,526	\$222,964,755	\$2,014,988,422
1/1/2013	\$43,710,548	\$34,133,067	\$160,692,220	\$13,801,686	\$224,734,149	\$2,007,585,831
1/1/2012	\$45,127,793	\$31,177,609	\$157,919,446	\$13,710,068	\$220,514,780	\$1,987,600,395
1/1/2011	\$49,192,655	\$31,815,109	\$154,595,821	\$13,539,814	\$222,063,771	\$1,997,236,641
1/1/2010	\$48,337,938	\$29,379,197	\$150,927,714	\$13,284,437	\$215,360,412	\$1,945,047,732



**LeFLORE COUNTY, OKLAHOMA
COUNTY GENERAL FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

County General Fund

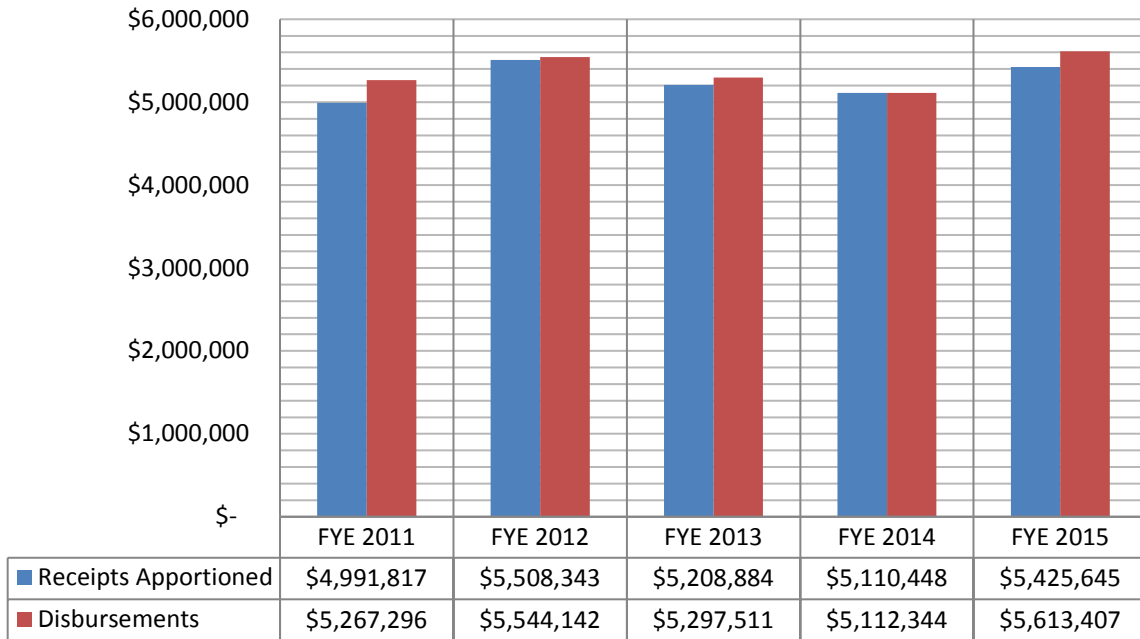
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also provides revenue for various budget accounts and accounts that support special services and programs. The Board of County Commissioners must review and approve all expenditures made from the County General Fund. The primary revenue source for the County General Fund is usually the county's ad valorem tax collected on real, personal (if applicable), and public service property. Smaller amounts of revenue can come from other sources such as fees, sales tax, use tax, state transfer payments, in-lieu taxes, and reimbursements. The chart below summarizes receipts and disbursements of the County's General Fund for the last five fiscal years.



**LeFLORE COUNTY, OKLAHOMA
COUNTY HIGHWAY FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

County Highway Fund

The County receives major funding for roads and highways from a state imposed fuel tax. Taxes are collected by the Oklahoma Tax Commission. Taxes are imposed on all gasoline, diesel, and special fuel sales statewide. The County's share is determined on formulas based on the County population, road miles, and land area and is remitted to the County monthly. These funds are earmarked for roads and highways only and are accounted for in the County Highway Fund. The chart below summarizes receipts and disbursements of the County's Highway Fund for the last five fiscal years.



FINANCIAL SECTION



Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

Independent Auditor's Report

TO THE OFFICERS OF
LeFLORE 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 LeFlore County, Oklahoma, as of and for the year ended June 30, 2015, and the related notes to the financial statement, which collectively comprise the County's basic financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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

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

As described in Note 1 of the financial statement, the financial statement is prepared by LeFlore 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 statements 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 LeFlore County as of June 30, 2015, or changes in its financial position for the year then ended.

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 LeFlore County, for the year ended June 30, 2015, in accordance with the basis of accounting described in Note 1.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the combined total of all county funds on the financial statement. The accompanying Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the remaining Other Supplementary Information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statement.

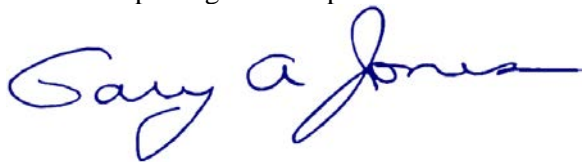
The Schedule of Expenditures of Federal Awards and the Other Supplementary Information, as listed in the table of contents, is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and the Other Supplementary Information, as listed in the table of contents, is fairly stated, in all material respects, in relation to the combined total—all county funds.

LeFlore County has not presented the budgetary comparison information for the Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—General Fund. Although not a part of the financial statement, such information is an integral part of the regulatory presentation for county government.

The information listed in the table of contents under Introductory Section has not been subjected to the auditing procedures applied in the audit of the financial statement, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2017, on our consideration of LeFlore 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and in considering LeFlore County's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Gary A. Jones". The signature is fluid and cursive, with the first name "Gary" being the most prominent.

GARY A. JONES, CPA, CFE
OKLAHOMA STATE AUDITOR & INSPECTOR

December 5, 2017

REGULATORY BASIS FINANCIAL STATEMENT

LeFLORE COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS
(WITH COMBINING INFORMATION)—MAJOR FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Beginning Cash Balances July 1, 2014	Receipts Apportioned	Transfers In	Transfers out	Disbursements	Ending Cash Balances June 30, 2015
Combining Information:						
Major Funds:						
General Fund	\$ 268,749	\$ 3,844,717	\$ -	-	\$ 3,835,918	\$ 277,548
Highway Cash	2,310,653	5,425,645	68,295	-	5,613,407	2,191,186
County Health	573,488	719,764	-	-	468,082	825,170
Resale Property	304,958	299,617	-	-	372,811	231,764
Solid Waste	658,152	2,131,990	-	-	1,966,612	823,530
Sheriff Service Fee	49,883	252,161	-	-	244,324	57,720
Special 911 Account	130,770	566,399	-	-	626,745	70,424
Jail Bond Account	391,815	1,647,282	-	-	1,598,122	440,975
Jail Fund	75,199	1,202,079	2,200	-	1,202,972	76,506
County Bridge Road Fund 105	1,569,936	574,941	-	68,295	889,694	1,186,888
County Sinking	141,157	100,459	-	-	229,416	12,200
Hospital - LeFlore County Hospital	-	539,677	-	-	539,677	-
Remaining Aggregate Funds	1,236,605	1,058,329	-	-	1,038,877	1,256,057
Combined Total - All County Funds	\$ 7,711,365	\$ 18,363,060	\$ 70,495	\$ 68,295	\$ 18,626,657	\$ 7,449,968

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

**LeFLORE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

B. Fund Accounting

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

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

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.

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

Resale Property – accounts for revenues from interest and penalties on delinquent ad valorem tax collections. Disbursements are to offset the expense of collecting delinquent ad valorem taxes.

Solid Waste – accounts for the sales tax monies collected for the operation of a solid waste system.

**LeFLORE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

Special 911 Account – accounts for monies received from private telephone companies for the operations of emergency 911 services.

Jail Bond Account – accounts for revenues from a county sales tax. Disbursements are for the acquisition, remodel, construction, financing, furnishing and equipping of a county jail and criminal justice facility and courthouse renovation and annex, parking lots, streets and other capital facilities, including OSU extension service offices, county election board offices, and public meeting rooms in LeFlore County, including design, construction, capital improvements, expenses, operations, equipment, fixtures and furnishings.

Jail Fund – accounts for sales tax monies collected for the maintenance and operations of jail facility.

County Bridge Road Fund 105 – accounts for revenues from state receipts and disbursements are for the purpose of maintaining bridges and roads.

County Sinking – accounts for revenues from the collection of ad valorem taxes and interest earned for the payment of principal and interest of long term bonded debt and civil judgments against LeFlore County.

Hospital – LeFlore County Hospital – accounts for the sales tax monies collected for the improvements and operation of Eastern Oklahoma Medical Center in LeFlore County.

C. Basis of Accounting

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

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

**LeFLORE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

D. Budget

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

E. Cash and Investments

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

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

The County Treasurer has not 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

**LeFLORE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

3. Other Information

A. Pension Plan

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

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

B. Other Post Employment Benefits (OPEB)

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

C. Contingent Liabilities

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

**LeFLORE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

D. Long Term Obligations

1. Judgments

The County has a judgment which is being retired by a tax levy. The County is obligated to pay the judgment over a three-year period. During the fiscal year ended June 30, 2015, the County paid \$63,334 in principle and \$12,725 interest, which includes fiscal year June 30, 2014 payment. Additionally, \$153,357 was paid to the County for judgements they had previously purchased.

<u>Case Number</u>	<u>Original Judgment</u>
CJ-2006-629	\$95,000

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

<u>Year Ending</u> <u>June 30,</u> 2016	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	\$31,666	\$4,725	\$36,391

E. Sales Tax

The voters of LeFlore County approved a one-half of one percent (½%) sales tax on February 1993. This sales tax is permanent. The sales tax was established to provide revenue for solid waste purposes only. These funds are accounted for in the Solid Waste fund.

The voters of LeFlore County also approved a three-quarters of one percent (¾%) sales tax on August 12, 2003. This sales tax was established to provide revenue for the County Public Buildings Authority for the acquisition, remodel, construction, financing, furnishing, and equipping of a county jail and criminal justice facility, and courthouse renovation and annex, parking lots, streets and other capital facilities, including OSU Extension Service offices and public meeting rooms. Of this sales tax one-quarter of one percent (¼%) is permanent and is to be used for the continuing maintenance and operation of the facility. The remaining one-half of one percent (½%) is to be terminated after 20 years or at the date of retirement of any debt incurred related thereto, whichever occurs earlier. These funds are accounted for in the Jail Bond Account and Jail Fund.

The voters of LeFlore County also approved a one-quarter of one percent (¼%) sales tax on July 27, 2010. This sales tax was established to provide revenue for the following fire departments: Arkoma, Big Cedar, Bokoshe, Cowlington, Fanshawe, Ft. Coffee, Haw Creek, Heavener, Hodgen,

**LeFLORE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Hogeye, Honobia, Howe, Latham Dog Creek, LeFlore, Monroe, Murray Spur, Octavia, Panama, Pocola, Post Mountain, Poteau, Reichert, Shady Point, Spiro, Summerfield, Talihina, Whitesboro, Wister, or other hereinafter established, for such fire protection as may be deemed necessary by the Board of County Commissioners. These funds are accounted for in funds named after each of the fire departments listed above.

On August 26, 2014, the voters of LeFlore County approved a one-half of one percent (1/2%) sales tax effective January 2015. This sales tax is permanent. The sales tax is established to provide revenue for improvements and operations of the Eastern Oklahoma Medical Center Hospital in LeFlore County. These funds are accounted for in the Hospital – LeFlore County Hospital fund.

F. Interfund Transfers

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

- \$68,295 was transferred from the County Bridge Road Fund 105 to the Highway Cash fund for reimbursement of expenditures on bridge and road projects.
- \$2,200 transferred from Jail Department of Correction (a trust and agency fund) to the Jail Fund for personal services.

OTHER SUPPLEMENTARY INFORMATION

**LeFLORE COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
COUNTY HEALTH DEPARTMENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 573,488	\$ 573,488	\$ -
Less: Prior Year Outstanding Warrants	(27,923)	(27,923)	-
Less: Prior Year Encumbrances	(4,399)	(2,843)	1,556
Beginning Cash Balances, Budgetary Basis	541,166	542,722	1,556
Receipts:			
Ad Valorem Taxes	573,019	569,125	(3,894)
Miscellaneous Revenues	-	150,639	150,639
Total Receipts, Budgetary Basis	573,019	719,764	146,745
Expenditures:			
Health and Welfare	1,114,185	456,627	657,558
Total Expenditures, Budgetary Basis	1,114,185	456,627	657,558
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	805,859	\$ 805,859
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		2,208	
Add: Current Year Outstanding Warrants		17,103	
Ending Cash Balance		\$ 825,170	

LeFLORE COUNTY, OKLAHOMA
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS—
REMAINING AGGREGATE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Beginning		Disbursements	Ending
	Cash Balances	Receipts		Cash Balances
	July 1, 2014	Apportioned		June 30, 2015
Remaining Aggregate Funds:				
Assessor Revolving Fund	\$ 14,045	\$ 5,948	\$ 17,893	\$ 2,100
County Clerk Lien Fee	28,998	14,316	20,087	23,227
FEMA	156,491	-	-	156,491
LeFlore County Flood Plain	2,097	10,217	5,743	6,571
Mortgage Tax Certification Fee	15,379	7,065	5,021	17,423
Records, Maintenance & Preservation Cash Fund	34,794	45,686	38,048	42,432
Sheriff Corps Engineer Cash	8,832	18,030	14,852	12,010
Sheriff Department of Corrections	7	-	-	7
County Reward Fund	2,210	397	-	2,607
EMPG SLA #4	128	-	-	128
EMPG/SLA	11,603	32,962	37,545	7,020
DOC Community Sentencing	19,544	2,188	1,252	20,480
County Bridge Road Fund 103	141,361	-	27,826	113,535
14-REAP K8019	-	6,437	6,437	-
14-REAP K8021	-	6,870	6,870	-
14-REAP K8022	-	31,402	31,402	-
14-REAP K8023	-	32,189	32,189	-
14-REAP K8024	-	7,025	7,025	-
CDBG 15476 CD96	-	4,000	4,000	-
Sheriff Training Program	2,599	-	2,590	9
Sheriff K-9	10	-	-	10
Arkoma Fire Department	50,009	29,416	30,093	49,332
Big Cedar Fire Department	21,030	29,416	28,142	22,304
Bokoshe Fire Department	22,224	29,415	15,407	36,232
Cowlington Fire Department	21,014	29,416	31,714	18,716
Fanshawe Fire Department	59,430	29,416	525	88,321
Ft. Coffee Fire Department	52,125	29,416	44,192	37,349
Haw Creek Rural Fire Department	14,150	29,416	31,333	12,233
Heavener Fire Department	15,856	29,416	20,428	24,844
Hodgen Rural Fire Department	10,207	29,415	25,243	14,379
Hogeye Fire Department	17,540	29,416	27,533	19,423
Honobia Fire Department	88,034	29,416	11,377	106,073
Howe Fire Department	26,099	29,416	46,129	9,386
Latham Dog Creek Fire Department	25,353	29,416	27,073	27,696
LeFlore Fire Department	9,127	29,416	28,458	10,085

Continued on next page

LeFLORE COUNTY, OKLAHOMA
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS—
REMAINING AGGREGATE FUNDS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Beginning			Ending
	Cash Balances July 1, 2014	Receipts Apportioned	Disbursements	Cash Balances June 30, 2015
Continued from previous page				
Monroe Fire Department	15,191	29,416	29,888	14,719
Murray Spur Fire Department	8,299	29,415	29,410	8,304
Octavia Fire Department	36,671	29,416	19,577	46,510
Panama Fire Department	25,605	29,416	21,818	33,203
Pocola Fire Department	58,721	29,416	43,166	44,971
Post Mountain Fire Department	29,770	29,416	24,329	34,857
Poteau Fire Department	29,567	29,416	24,938	34,045
Reichert Fire Department	23,928	29,416	27,669	25,675
Shady Point Fire Department	53,482	29,416	29,699	53,199
Spiro Fire Department	31,237	29,416	26,213	34,440
Summerfield Fire Department	9,988	29,416	33,381	6,023
Talihini Fire Department	27,351	29,416	29,848	26,919
Whiteboro Fire Department	11,110	29,416	31,679	8,847
Wister Fire Department	4,715	29,416	30,923	3,208
LEPC	674	1,000	960	714
15-REAP K9020	-	8,952	8,952	-
Combined Total - Remaining Aggregate Funds	\$ 1,236,605	\$ 1,058,329	\$ 1,038,877	\$ 1,256,057

**LeFLORE COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

1. Budgetary Schedules

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

The Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis for the General Fund has not been presented. Therefore, the legally adopted budget cannot be compared with actual data for the General Fund. The Comparative Schedules of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis for the General Fund and the County Health Department Fund present comparisons of the legally adopted budget with actual data. The "actual" data, as presented in the comparison of budget and actual, will differ from the data as presented in the Combined Statement of Receipts, Disbursements, and Changes in Cash Balances with Combining Information because of adopting certain aspects of the budgetary basis of accounting and the adjusting of encumbrances and outstanding warrants to their related budget year.

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

2. Remaining County Funds

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

Assessor Revolving Fund – accounts for revenues from collection of fees for copies. Disbursements are restricted by state statute.

County Clerk Lien Fee – accounts for revenues from fees charged by the County Clerk for filing liens. Disbursements are for any lawful expense of the County Clerk's office.

FEMA – accounts for revenues from the collection of state and federal public assistance grants. Disbursements are restricted by grant requirements.

LeFlore County Flood Plain – accounts for revenues from fees collected from inspections and assessments of flood plain areas. Disbursements are for the general operations of the emergency management office.

**LeFLORE COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Mortgage Tax Certification Fee – accounts for revenues from a fee for certifying mortgages. Disbursements are for any lawful expense of the County Treasurer’s office.

Records, Maintenance & Preservation Cash Fund – accounts for revenues from a fee charged by the County Clerk for recording instruments. Disbursements are for the maintenance and preservation of public records.

Sheriff Corps Engineers Cash – accounts for revenues from the Corp of Engineers for the purpose of supplying additional lake patrol.

Sheriff Department of Corrections – accounts for revenues from the State of Oklahoma for the boarding and feeding of Department of Corrections’ prisoners.

County Reward Fund – accounts for revenues from state and county penalties collected for littering. Disbursements are restricted to be used for litter prevention.

EMPG SLA #4 – accounts for revenues from federal grant. Disbursements are restricted by grant requirements.

EMPG/SLA – accounts for federal grant money and disbursements for the operations of the County Emergency Management Department.

DOC Community Sentencing – accounts for revenues from local fees collected. Disbursements are for the operation of the community sentencing program.

County Bridge Road Fund 103 – accounts for revenues from state receipts and disbursements are for the purpose of maintaining bridges.

14-REAP K8019 – accounts for revenues from state REAP funds. Disbursements are for construction of a roof and concrete ramp for the Haw Creek Fire Department training center.

14-REAP K8021 – accounts for revenues from state REAP funds. Disbursements are for repairs to Hontubby Community Building.

14-REAP K8022 – accounts for revenues from state REAP funds. Disbursements are for County Highway District 2 road improvements.

14-REAP K8023 – accounts for revenues from state REAP funds. Disbursements are for County Highway District 3 road improvements.

14-REAP K8024 – accounts for revenues from state REAP funds. Disbursements are for County Highway District 1 road improvements.

**LeFLORE COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

CDBG 15476 CD96 – accounts for funds passed through State Department of Commerce. Disbursements are for County Highway District 1 road improvements.

Sheriff Training Program – accounts for revenues from confiscated monies. Disbursements are used for training purposes.

Sheriff K-9 – revenues are from donations. Disbursements are for expenses related to canine fleet.

Arkoma Fire Department – accounts for the sales tax collections received for operating and maintaining the fire district.

Big Cedar Fire Department – accounts for the sales tax collections received for operating and maintaining the fire district.

Bokoshe Fire Department – accounts for the sales tax collections received for operating and maintaining the fire district.

Cowlington Fire Department – accounts for the sales tax collections received for operating and maintaining the fire district.

Fanshawe Fire Department – accounts for the sales tax collections received for operating and maintaining the fire district.

Ft. Coffee Fire Department – accounts for the sales tax collections received for operating and maintaining the fire district.

Haw Creek Rural Fire Department – accounts for the sales tax collections received for operating and maintaining the fire district.

Heavener Fire Department – accounts for the sales tax collections received for operating and maintaining the fire district.

Hodgen Rural Fire Department – accounts for the sales tax collections received for operating and maintaining the fire district.

Hogeye Fire Department – accounts for the sales tax collections received for operating and maintaining the fire district.

Honobia Fire Department – accounts for the sales tax collections received for operating and maintaining the fire district.

Howe Fire Department – accounts for the sales tax collections received for operating and maintaining the fire district.

**LeFLORE COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Latham Dog Creek Fire Department – accounts for the sales tax collections received for operating and maintaining the fire district.

LeFlore Fire Department – accounts for the sales tax collections received for operating and maintaining the fire district.

Monroe Fire Department – accounts for the sales tax collections received for operating and maintaining the fire district.

Murray Spur Fire Department – accounts for the sales tax collections received for operating and maintaining the various fire districts.

Octavia Fire Department – accounts for the sales tax collections received for operating and maintaining the fire district.

Panama Fire Department – accounts for the sales tax collections received for operating and maintaining the fire district.

Pocola Fire Department – accounts for the sales tax collections received for operating and maintaining the fire district.

Post Mountain Fire Department – accounts for the sales tax collections received for operating and maintaining the fire district.

Poteau Fire Department – accounts for the sales tax collections received for operating and maintaining the various fire districts.

Reichert Fire Department – accounts for the sales tax collections received for operating and maintaining the fire district.

Shady Point Fire Department – accounts for the sales tax collections received for operating and maintaining the fire district.

Spiro Fire Department – accounts for the sales tax collections received for operating and maintaining the fire district.

Summerfield Fire Department – accounts for the sales tax collections received for operating and maintaining the fire district.

Talihina Fire Department – accounts for the sales tax collections received for operating and maintaining the fire district.

Whitesboro Fire Department – accounts for the sales tax collections received for operating and maintaining the fire district.

**LeFLORE COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Wister Fire Department – accounts for the sales tax collections received for operating and maintaining the fire district.

LEPC – accounts for revenues from federal and state grants for hazard materials preparedness. Disbursements are restricted by grant requirements.

15-REAP K9020 – accounts for revenues from state REAP funds. Disbursements are for equipment for Summerfield Fire Department.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**LeFLORE COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through Oklahoma State Treasurer:			
Schools and Roads - Grants to States	10.665		\$ 556,299
Total U.S. Department of Agriculture			<u>556,299</u>
U.S. DEPARTMENT OF DEFENSE			
Direct Grant:			
Payments to States in Lieu of Real Estate Taxes	12.112		58,572
Total U.S. Department of Defense			<u>58,572</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed Through the Oklahoma Department of Commerce			
Community Development Block Grant/State's program and Non- Entitlement Grants in Hawaii	14.228	15476 CD 96	4,000
Total U.S. Department of Housing and Urban Development			<u>4,000</u>
U.S. DEPARTMENT OF INTERIOR			
Direct Grant:			
Payments in Lieu of Taxes	15.226		205,896
Total U.S. Department of Interior			<u>205,896</u>
U.S. DEPARTMENT OF JUSTICE			
Direct Grant:			
Public Safety Partnership and Community Policing Grants	16.710		9,180
Total U.S. Department of Justice			<u>9,180</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed Through the Oklahoma Department of Emergency Management:			
Hazard Mitigation Grant	97.039		28,318
Emergency Management Performance Grants	97.042		32,754
Total U.S. Department of Homeland Security			<u>61,072</u>
Total Expenditures of Federal Awards			<u>\$ 895,019</u>

**LeFLORE COUNTY, OKLAHOMA
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of LeFlore County, and is presented on the *cash basis of accounting*. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

INTERNAL CONTROL AND COMPLIANCE SECTION



Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

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
LeFLORE COUNTY, OKLAHOMA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined total—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of LeFlore County, Oklahoma, as of and for the year ended June 30, 2015, and the related notes to the financial statement, which collectively comprises LeFlore County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated December 5, 2017.

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, 2015, 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 LeFlore 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 LeFlore County's internal control. Accordingly, we do not express an opinion on the effectiveness of LeFlore County's internal control.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses: 2015-1, 2015-3, 2015-7, and 2015-19.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies: 2015-2, 2015-6, 2015-9, and 2015-24 .

Compliance and Other Matters

As part of obtaining reasonable assurance about whether LeFlore 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

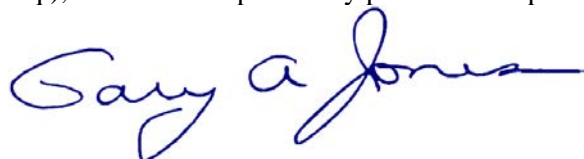
LeFlore County's Responses to Findings

LeFlore County's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. LeFlore County's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on the responses.

Purpose of this Report

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

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

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

GARY A. JONES, CPA, CFE
OKLAHOMA STATE AUDITOR & INSPECTOR

December 5, 2017



Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

TO THE OFFICERS OF
LeFLORE COUNTY, OKLAHOMA

Report on Compliance for Each Major Program

We have audited the compliance of LeFlore County, Oklahoma, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on LeFlore County's major federal program for the year ended June 30, 2015. LeFlore 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

Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of LeFlore County's management.

Auditor's Responsibility

Our responsibility is to express an opinion on LeFlore County's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 LeFlore 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. Our audit does not provide a legal determination of LeFlore County's compliance with those requirements.

As described in item 2015-23, in the accompanying schedule of findings and questioned costs, LeFlore County did not comply with requirements regarding Matching and Earmarking that are applicable to its Schools and Roads – Grants to States. Compliance with such requirements is necessary, in our opinion, for LeFlore County to comply with the requirements applicable to that program.

Opinion on Each Major Federal Program

In our opinion, except for the noncompliance described in the preceding paragraph, the 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, 2015. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2015-16.

Internal Control Over Compliance

Management of LeFlore County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered LeFlore County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 LeFlore County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2015-16, 2015-20, and 2015-21 to be material weaknesses.

Other Matters

LeFlore County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit LeFlore County's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, those charged with governance, others within the entity, and is not intended to be and should not be used by anyone other than the specified parties. 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.

A handwritten signature in blue ink that reads "Gary A. Jones". The signature is written in a cursive style with a long horizontal stroke at the end.

GARY A. JONES, CPA, CFE
OKLAHOMA STATE AUDITOR & INSPECTOR

December 5, 2017

**LeFLORE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

SECTION 1—Summary of Auditor’s Results

Financial Statements

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

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?..... No

Federal Awards

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported
in accordance with section 510(a) of Circular A-133?..... Yes

Identification of Major Programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.665	Schools and Roads – Grants to States

Dollar threshold used to distinguish between
Type A and Type B programs: \$300,000

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

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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 2015-1 – Inadequate County-Wide Internal Controls (Repeat Finding)

Condition: Through the process of gaining an understanding of the County’s internal control structure, it was noted that county-wide controls regarding Risk Assessment and Monitoring have not been designed.

Cause of Condition: Policies and procedures have not been designed and implemented to address risks of the County.

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

Recommendation: The Oklahoma State Auditor & Inspector’s Office (OSAI) recommends that the County design procedures to identify and address risks. OSAI also recommends that the County design monitoring procedures to assess the quality of performance over time. These procedures should be written policies and procedures and could be included in the County’s policies and procedures handbook.

Management Response:

Chairman of the Board of County Commissioners, County Clerk, and County Treasurer: LeFlore County will start to implement an agenda item on its monthly Budget Board agenda, to be left on indefinitely, pertaining to discussion covering internal and external controls, monitoring of employees and services, and future plans for each office. This would provide an opportunity for all elected officials to help each other in identifying and addressing the risks within each office and help each other in providing better services to the citizens of LeFlore County.

Criteria: Internal control is an integral component of an organization’s management that provides reasonable assurance that the objectives of effectiveness and efficiency of operations, reliability of financial reporting and compliance with laws and regulations are being met. Internal control comprises the plans, methods, and procedures used to meet missions, goals, and objectives. Internal control also serves as the first line of defense in safeguarding assets and preventing and detecting errors and fraud.

County management is responsible for designing a county-wide internal control system comprised of Risk Assessment and Monitoring for the achievement of these goals.

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

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

Finding 2015-2 – Written Disaster Recovery Plan – County Sheriff (Repeat Finding)

Condition: A written Disaster Recovery Plan has not been designed for the office of County Sheriff.

Cause of Condition: Policies and procedures have not been designed and implemented to prepare and update a Disaster Recovery Plan.

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

Recommendation: OSAI recommends the County Sheriff's office develop a written Disaster Recovery Plan that addresses how critical information and systems within the office would be restored in the event of a disaster. The Disaster Recovery Plan should include the following:

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

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

Management Response:

County Sheriff: The Disaster Recovery Plan for the Sheriff's office is in the process of being modified. When complete, copies will be disseminated to key personnel and a copy stored in the County Clerk's office. In addition, a copy will be stored off-site with Emergency Management.

Criteria: An important aspect of internal control is the safeguarding of assets which includes adequate Disaster Recovery Plans. Internal controls over safeguarding of assets constitute a process, affected by an entity's governing body, management, and other personnel, designed to provide reasonable assurance

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regarding prevention in a county being unable to function in the event of a disaster. Disaster Recovery Plan(s) are an integral part of county operations to ensure that business can continue as usual in the event of a disaster. Each office or the county as a whole should have a current, detailed Disaster Recovery Plan on file and should be aware of its content.

According to the standards of the Information Systems Audit and Control Association (CobiT, Deliver and Support 4), information services function management should ensure that a written Disaster Recovery Plan is documented and contains guidelines and instructions for the county to follow in the event of a disaster.

Finding 2015-3 – Inadequate Internal Controls Over Information Systems Security – County Treasurer (Repeat Finding)

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

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

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

Recommendation: OSAI recommends the County comply with best practices presented in the criteria. The specifics of the recommendation have been sanitized to protect the County pursuant to the provision of 51 O.S. § 24A.28.

Management Response:

County Treasurer: I have contacted our software provider and notified them of this finding.

Criteria: According to the standards of the Information Systems Audit and Control Association (CobiT, Delivery and Support DS5), the need to maintain the integrity of information and protect IT assets requires a security management process. This process includes establishing and maintaining IT security roles and responsibilities, policies, standards, and procedures. Security management also includes performing security on monitoring and periodic testing and implementing corrective actions for identified security weakness or incidents. Effective security management protects all IT assets to minimize the business impact of security vulnerabilities and incidents.

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Finding 2015-6 – Inadequate Segregation of Duties Over the Payroll Process (Repeat Finding)

Condition: Upon inquiry and observation of the County Clerk’s payroll process, we noted the following weaknesses:

- One person is responsible for enrolling new employees, entering payroll information and making changes to payroll with no documentation of a secondary review.

Cause of Condition: Policies and procedures have not been designed and implemented with regard to segregation of duties and/or compensating internal controls over the payroll process.

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

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

Management Response:

County Clerk: The Payroll Clerk cannot make changes to payroll without the officer’s consent and signature. When changes are made, the officer initials the new claim. As the County Clerk, I also initial changes on the hard copy. The Payroll Clerk notates changes under the comments section in our system along with the date. We have tried segregating the duties of making changes but found it to be more of a risk for errors.

Auditor Response: The duties for the payroll process should be segregated or compensating controls implemented to mitigate the risks involved with a concentration of duties.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designed to analyze and check accuracy, completeness, and authorization of payroll calculations and/or transactions. To help ensure a proper accounting of funds, the duties of processing, authorizing, and payroll distribution should be segregated.

Finding 2015-7 – Inadequate Internal Controls Over the Evidence of Reconciliation of Appropriation Ledger to General Ledger (Repeat Finding)

Condition: There is no documentation of the reconciliation of the County Clerk’s appropriation ledger to the County Treasurer’s general ledger.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure the reconciliation of the County Clerk’s appropriation ledger to the County Treasurer’s general ledger.

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Effect of Condition: These conditions could result in unrecorded transactions, misstated financial reports, undetected errors, misappropriation of assets, or clerical errors that are not detected in a timely manner.

Recommendation: OSAI recommends management take steps to ensure reconciliations are performed between the funds presented on the County Clerk's appropriation ledger and the County Treasurer's general ledger monthly. Documentation of this reconciliation should be reviewed and approved by someone other than the preparer.

Management Response:

County Clerk: We will reconcile the appropriation ledger to the general ledger every month, including June 30.

County Treasurer: We will reconcile the general ledger to the appropriation every month, as well as for June 30.

Criteria: Safeguarding controls are an aspect of internal controls. Safeguarding controls relate to the prevention or timely detection of unauthorized transactions and unauthorized access to assets. Failure to perform tasks that are part of internal controls, such as reconciliations not prepared or timely prepared, are deficiencies in internal control. Further, reconciliations should be performed and maintained on a monthly basis.

Finding 2015-9 – Inadequate Internal Controls Over Time Keeping (Repeat Finding)

Condition: The following internal control weaknesses were noted in regard to the payroll process:

- Employees are being allocated their full year annual leave at one time, rather than accruing leave monthly as outlined in the LeFlore County Employee personnel policy in the offices of County Assessor, County Clerk, County Treasurer, District 1, District 2, District 3, County Sheriff, County Election Board, Detention Center, Emergency Management, General Government, Solid Waste and 911.
- The leave balances of the County Commissioner's Secretary are not being tracked and recorded.
- A County Treasurer employee's annual leave balance at December 2014 was moved to sick leave, records do not indicate elected official approval.

Cause of Condition: The County did not follow the rules set in place by the Fair Labor Standards Act. Additionally, the County did not adhere to the policies and procedures set forth in their employee personnel policy handbook.

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

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Recommendation: OSAI recommends all offices within the County adhere to the policies and procedures in the County employee personnel policy handbook and follow rules set in place by the Fair Labor Standards Act.

Management Response:

Chairman of the Board of County Commissioners: LeFlore County will be instructing all offices within the County to adhere to the policies and procedures in the County employee personnel policy handbook. Additionally, the Chairman of the Board of LeFlore County Commissioners or a designated administrative assistant shall track and monitor the leave balances of the County Commissioner's Secretary.

County Clerk: LeFlore County Clerk's office will be instructing its employees to adhere to the policies and procedures in the personnel policy handbook.

County Assessor: We are waiting on guidance from the Board of County Commissioners and the Budget Board to determine what changes need to be made in the Employee handbook.

County Treasurer: It is my understanding that the LeFlore County Budget Board is going to discuss the way that annual leave is being given, so we may ensure compliance with the policies and procedures set forth in the County employees personnel policy handbook.

County Sheriff: I have placed on the next Budget Board agenda an item for discussion and action to amend wording in the employee handbook to ensure that all county offices will follow the same rules regarding annual leave.

County Commissioner District 1: We will adhere to the County handbook and policy on accruing annual leave.

County Commissioner District 2: LeFlore County will be instructing all offices within the County adhere to the policies and procedures in the County employees personnel policy handbook.

County Commissioner District 3: I understand the ruleset in place by the Fair Labor Standards Act. I also understand the policies and procedures set forth in our employee handbook. I will comply with the best of my ability.

Election Board: We have implemented procedures to ensure compliance with County policies. Comp time will be given after working 40 hours and annual leave will accrue monthly as stated in the employee handbook.

Criteria: The LeFlore County Employee Personnel Policy Handbook states in part: "full time LeFlore County employees shall be entitled to vacation leave that is accrued on a monthly basis."

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The LeFlore County Employee Personnel Policy Handbook states:

Most County employee will follow a normal schedule of forty (40) hours per week plus any unpaid half hour lunch period each day.

LeFlore County employees who are not exempt employees, and who are not law enforcement employees shall be entitled to compensatory time off at the rate of one and a half (1 ½) hours for each hour overtime worked in excess of forty (40) hours per week.

For covered, nonexempt employees, the Federal Labor Standards Act (FLSA) requires overtime pay at a rate of not less than one and one-half times an employee's regular rate of pay after forty (40) hours of work in a workweek.

Finding 2015-19 – Material Misstatement of the Financial Statement (Repeat Finding)

Condition: During the review and reconciliation of the financial statement as initially prepared by the County, we determined that the financial statement was materially misstated.

The cash receipts and cash disbursements were reported as \$13,673,636 and \$18,383,934, respectively. The actual receipts and disbursements amounts were \$18,363,060 and \$18,626,657; an understatement of \$4,689,424 and \$242,723, respectively.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure proper individuals take responsibility to accurately report cash receipts and disbursements on the financial statement.

Effect of Condition: These conditions resulted in a material misstatement of the County's financial statement.

Recommendation: OSAI recommends the County design and implement procedures to ensure the financial statement is accurately reported.

Management Response:

Chairman of the Board of County Commissioners: LeFlore County has contacted the system provider to make sure that future classifications are accurate. LeFlore County will further implement policies and procedures to reduce the risks of error and fraud, establishing internal control procedures to prevent or detect misstatements.

County Treasurer: I was made aware of this during our audit. On the monthly auditor's report, special apportionments were being classified as a transfer, rather than an apportionment. We have contacted our system provider and the way that the computer classified those miscellaneous receipts has been changed. The change in this procedure should reduce the risks of errors in misstatements of the financials.

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Criteria: Effective internal controls are essential to provide reasonable assurance about the achievement of the entity's objectives with regard to reliability of financial reporting, and compliance with applicable laws and regulations. An effective internal control system has in place policies and procedures that reduce the risk of errors and fraud within an organization.

The County's management is responsible for establishing internal control procedures to prevent or detect misstatements in a timely manner. Professional audit standards preclude the external financial statement auditor from performing any part of management's control activities or be a component of the internal controls over financial reporting as this would impair their independence.

Finding 2015-24 – Falsified Timesheets - County Clerk's Office (Repeat Finding)

Condition: During the course of our audit, it was brought to our attention that the County Clerk was permitting her employees to rotate taking a full day or a half (½) of a day off on Fridays without using their leave. OSAI reviewed the timesheets filed by County Clerk employees for the month of January 2015, noting that the employees' timesheets reflected eight (8) hours worked, leave used, or comp time taken on all Fridays. Additionally, the timesheets were signed by the employee and a supervisor.

After interviewing the County Clerk on August 25, 2016 concerning the employees' timesheets she responded to OSAI in writing. The written response stated that she did not give the employees a full eight (8) hours off on Fridays, but allowed them to rotate a half day off Friday, which equals each employee getting one (1) day off a month. She stated that this was typically the land records employees, but that the bookkeeping employees were permitted to do this as well, but it depended on their work load.

Cause of Condition: The County Clerk allowed employees to submit timesheets for payment that included hours in which the employee did not work.

Effect of Condition: This condition resulted in the County Clerk paying employees' wages in which they were not at work.

Recommendation: OSAI recommends that all employees reflect the actual hours worked and leave taken on their timesheets. Additionally, the timesheets should be approved by the County Clerk or immediate supervisor verifying the hours reported are true and accurate. Also, we recommend the District Attorney review this finding to determine if further action is necessary.

Management Response:

County Clerk: I terminated this practice after speaking to another seasoned elected official about the matter and prior to being asked about it by OSAI. I realized where this could become a potential problem and be interpreted in different ways. This practice is no longer in effect and all employees reflect actual hours worked and leave taken on their timesheets. Timesheets are approved by a supervisor/official verifying the hours reported are true and accurate.

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Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, time records should be used to document hours worked and leave used each day. Time records signed by both the employee and the Supervisor/County Official, shall certify the validity of the hours worked and/or leave used.

Employees of the County Clerk's office are considered non-exempt.

The Employee Personnel Policy Handbook states the following:

TIME RECORDING (NON-EXEMPT EMPLOYEES)

The County is required by law to keep accurate records of the actual hours worked by the non-exempt employees, including hours worked each day and total hours worked each work week. Non-exempt employees must use time clock, timecards, or other similar means of accurately recording their regular hours worked, meal periods, overtime, absences, holiday and vacations. Time records should be carefully checked for accuracy as paychecks will be calculated according to the information shown on them unless the information is determined to be erroneous.

Non-exempt employees are required to accurately record their time and the following rules must be observed:

1. You should arrive at the workplace allowing sufficient time to clock or check in (if appropriate) and start work on time.
2. Employees should clock or check in or otherwise accurately record their time immediately prior to starting work, immediately before and after their meal periods and when leaving at the end of the work shift or when leaving the premises for approved personal reasons.
3. If appropriate, timecards must be returned to the timecard rack immediately after being checked. Employees are responsible for ensuring that their timecards are not lost, mutilated or falsified.
4. Employees are not permitted to clock or check in for another employee or to otherwise record another employee's time.
5. To be valid, corrections or alterations on a time record must be initialed as soon as possible by the employee's supervisor.

Employees who fail to clock or check in or out or otherwise accurately record their time may be subject to discipline and up to an including immediate discharge.

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SECTION 3— Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

Finding 2015-16 – Inadequate Internal Controls Over the Schedule of Expenditures of Federal Awards

PASS-THROUGH GRANTOR: Oklahoma State Treasurer

FEDERAL AGENCY: U.S. Department of Agriculture

CFDA NO: 10.665

FEDERAL PROGRAM NAME: Schools and Roads - Grants to States Lands

FEDERAL AWARD YEAR: 2015

CONTROL CATEGORY: All

QUESTIONED COSTS: -\$0-

Condition: The County has not designed and implemented internal controls for the reporting of federal programs as required by OMB Circular A-133. During the review and reconciliation of the Schedule of Expenditures of Federal Awards (SEFA) as initially prepared by the County, we noted the following program was not accurately listed on the SEFA.

The cash disbursements for CFDA 10.665 were reported as \$517,477. A review of the records provided by District 3 determined that the records were incomplete and the actual disbursement amount was \$556,299, resulting in an understatement of \$38,822.

Cause of Condition: Internal controls have not been designed and implemented to ensure proper individuals take responsibility to accurately report cash receipts and cash disbursements on the SEFA.

Effect of Condition: This condition resulted in inaccurate reporting of federal grant expenditures on the SEFA.

Recommendation: OSAI recommends each office and/or department within the County establish internal controls to ensure all Federal awards are properly accounted for and correctly reported on the Schedule of Expenditures of Federal Awards.

Management Response:

Chairman of the Board of County Commissioners: LeFlore County will set up and designate separate accounts for federal funds. This would allow for easier tracking of said funds. Both receipts and disbursements will be documented accurately.

County Clerk: We have internal controls in place, however, there was a lack of communication between our office and District 3 and we did not receive all disbursements to be recorded to the SEFA. Through review of this finding and recent training, I have found that communication between our office, the barns, and the Treasurer is key to providing an accurate SEFA.

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County Treasurer: This report is prepared by the County Clerk's office. I believe the issue stems from a lack of communication when these monies are received and disbursed. I will do my part to ensure when federal funds are received, they include a revenue source to ensure the proper accounting of these funds.

Criteria: OMB A-133, Subpart C, §__.300(b)(d) reads as follows:

Subpart C – Auditees

§__.300 Auditee responsibilities.

The auditee shall:

(b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal Awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

(d) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with §__.310.

Further, accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, an accurate record of federal expenditures should be maintained.

Finding 2015-20 – Inadequate County-Wide Controls Over Major Programs – Schools and Roads (Repeat Finding)

PASS-THROUGH GRANTOR: Oklahoma State Treasurer

FEDERAL AGENCY: U.S. Department of Agriculture

CFDA NO: 10.665

FEDERAL PROGRAM NAME: Schools and Roads - Grants to States

FEDERAL AWARD YEAR: 2015

CONTROL CATEGORY: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching and Earmarking;

QUESTIONED COSTS: -\$0-

Condition: County-wide controls regarding Risk Assessment, Information and Communication, and Monitoring have not been designed.

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

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

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

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Management Response:

Chairman of the Board of County Commissioners: Leflore County as a budget board has placed an agenda item on every regularly scheduled budget board meeting. This agenda item allows all elected officials within Leflore County Government an opportunity for open communication, exchange of information regarding risk assessment and monitoring among each office. This will help to ensure compliance with requirements including but not limited to grant requirements of federal disbursements.

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

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

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

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

Finding 2015-21 – Inadequate Internal Controls Over Major Federal Program – Schools and Roads (Repeat Finding)

PASS-THROUGH GRANTOR: Oklahoma State Treasurer

FEDERAL AGENCY: U.S. Department of Agriculture

CFDA NO: 10.665

FEDERAL PROGRAM NAME: Schools and Roads - Grants to States

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FEDERAL AWARD YEAR: 2015

CONTROL CATEGORY: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching and Earmarking;

QUESTIONED COSTS: -\$0-

Condition: During the process of documenting the County's internal controls regarding federal disbursements, we noted that LeFlore County has not established procedures to ensure compliance with the following compliance requirements: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, and Earmarking.

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

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

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

Management Response:

Chairman of the Board of County Commissioners: Leflore County as a Budget Board, sitting all local elected officials within, will to the best of its ability, design, and implement a system of internal controls to ensure compliance with requirements including but not limited to grant requirements of federal disbursements.

Criteria: *OMB A-133, Subpart C, § .300(b)* reads as follows:

Subpart C-Auditees

§ .300 Auditee responsibilities.

The auditee shall:

(b) Maintain internal control over federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have material effect on each of its Federal programs.

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

Finding 2015-23 – Noncompliance with Compliance Requirement G – Earmarking

PASS-THROUGH GRANTOR: Oklahoma State Treasurer

FEDERAL AGENCY: U.S. Department of Agriculture

CFDA NO: 10.665

FEDERAL PROGRAM NAME: Schools and Roads - Grants to States

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FEDERAL AWARD YEAR: 2015
CONTROL CATEGORY: Earmarking
QUESTIONED COSTS: \$10,607

Condition: While reviewing miscellaneous receipts, we noted that LeFlore County has been earmarking an additional unauthorized 15% of Title I funds and identifying them as Title II funds and that money is apportioned to the County Highway Fund.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure federal monies are being apportioned in accordance with federal compliance requirements.

Effect of Condition: This condition resulted in noncompliance with Federal Grant requirements.

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

Management Response:

County Commissioner District 1, 2, & 3: LeFlore County will not earmark any Title I funds as Title II funds, leaving all title funds under said title. We will properly earmark and appropriate monies with the administration of federal grants. LeFlore County Commissioners understand where the Federal Title money should go, and will appropriate this money to the right accounts.

Criteria: *OMB A-133, Subpart C, §___.300(a)* reads as follows:

Subpart C—Auditees

§___.300 Auditee responsibilities.

The auditee shall:

(a) Identify, in its accounts, all Federal awards received and expended and the Federal programs under which they are received. Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

Further, 62 O.S. § 326 states, “From and after the passage of this act, each county treasurer of this state shall, out of any funds now on hand and any funds hereinafter received by him from the United States Government as said County's share of the rentals from forest reserves located therein, immediately apportion same as follows:

- 1st. Twenty-five percent (25%) of all money now on hand and hereinafter received to be prorated and apportioned among the various school districts of said counties situated and located contiguous to such forest reserves, according to the scholastic population thereof;
- 2nd. Seventy-five percent (75%) of all such money now on hand and hereinafter received shall be deposited in a special road fund to be expended on county highways leading into and away from such forest reserves, under the direction and supervision of the Board of county commissioners of such county.”

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

Finding 2015-14 – Inadequate Internal Controls and Noncompliance Over Fixed Assets Records (Repeat Finding)

Condition: While gaining an understanding of internal controls over fixed assets, we noted the following:

- The County is not following statutory procedures to perform and document an annual physical inventory.
- The following departments did not file an annual physical inventory with the County Clerk’s office: District 1, District 2, District 3, County Clerk, County Assessor, County Treasurer, General Government-Maintenance, OSU Extension, County Election Board, County Health Department, Emergency Management, Detention Center, County Sheriff, and Fire Departments of Arkoma, Big Cedar Bokoshe, Cowlington, Fanshawe, Fort Coffee, Haw Creek, Heavener, Hodgen, Hogeye, Honobia, Howe, Latham Dog Creek, LeFlore, Monore, Murry Spur, Octavia, Panama, Pocola, Post Mountain, Poteau, Reichert, Shady Point, Spiro, Stapp-Zoe, Summerfield, Talihina, Whitesboro and Wister.

Cause of Condition: Policies and procedures have not been designed and implemented with regard to effective internal controls over safeguarding of fixed assets by performing an annual physical inventory count, and maintaining the fixed asset inventory records with the County Clerk.

Effect of Condition: These conditions resulted in noncompliance with state statutes and could result in inaccurate, incorrect information or loss of assets.

Recommendation: OSAI recommends the County implement internal controls to ensure compliance with 19 O.S. § 178.1 and 19 O.S. § 178.2 regarding fixed assets inventory records. These controls would include that all offices:

- Retain documentation to verify the physical inventory counts were performed.
- Inventory counts should be performed by someone other than the receiving officer or inventory officer.
- Complete and file up to date inventory records with the County Clerk.

Management Response:

Chairman of the Board of County Commissioners: The County Clerk’s office will start to contact each of the fire departments in LeFlore County requesting that they designate someone, other than their receiving and inventory officer, to conduct a physical inventory of all equipment with a cost greater than \$500.00 that

**LeFLORE COUNTY, OKLAHOMA
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FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

are purchased with sales tax revenue. This inventory will be conducted each calendar year and filed with the County Clerk's office.

Additionally, as District 2 Commissioner we will start to designate an employee other than the receiving officer or inventory officer, to conduct an annual physical inventory. This inventory will be conducted each calendar year and filed with the County Clerk's office.

County Commissioner District 1: We will do an annual count of all fixed assets and file a copy at the County Clerk's office.

County Commissioner District 3: We will have someone other than the receiving officer or inventory officer perform inventory counts. We will also retain the documentation to verify the physical inventory counts were performed, and will file it with the County Clerk's office each year.

County Assessor: We will update our annual physical inventory each year with documentation of the review and file annually with the County Clerk.

County Treasurer: We do have an inventory list in our office. We will begin updating it with documentation of a physical count and review with initials and dates and filing it annually with the County Clerk's office.

OSU Extension: We will begin performing an annual physical inventory count annually that will be performed by two employees. The two employees will sign and date the inventory review and provide the County Clerk's office with a copy of this count annually. We will also keep a copy for our records.

County Election Board: In the future, the LeFlore County Election Board will receive an inventory list from the County Clerk's office. We will perform a physical inventory count and document the review. This will be filed with the County Clerk's office annually.

Emergency Management: Each fiscal year in March, our office will obtain a copy of our inventory list on file with the County Clerk. It will be reviewed by someone other than the receiving officer or the inventory control officer. Once a physical inventory review has been completed it will be signed and dated by the reviewers. The completed, signed inventory will be filed with the County Clerk's office prior to the end of the fiscal year.

County Sheriff: After the previous audit, a copy of the annual inventory was completed and filed with the County Clerk's office in 2015. Our annual inventory for 2016 is being completed at this time and a copy will be filed in the County Clerk's office when complete.

County Clerk: Our Inventory Clerk does an annual print out of fixed asset records. The Inventory Clerk and the First Deputy will physically count all inventory and compare to the inventory list. This list is signed and dated by both deputies.

**LeFLORE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Auditor Response: When performing a walk-through of the County Clerk's office, we were unable to locate any documentation of a physical annual inventory being performed and filed for the audit period.

Criteria: Internal controls over safeguarding of assets constitute a process, affected by an entity's governing body, management, and other personnel designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from misappropriation. Effective internal controls include management design procedures to ensure that all fixed assets records be maintained to comply with 19 O.S. § 178.1 and 19 O.S. § 178.2.

Finding 2015-17 – General Fund Estimate of Needs Not Accurately Presented (Repeat Finding)

Condition: While reviewing the 2015-2016 Estimate of Needs and financial statement of the fiscal year 2014-2015, we noted the General Fund cash receipts on the budget was \$204,632 less than what was receipted on the financial statement. Additionally, we noted the cash disbursements were \$11,560 more than what was disbursed on the financial statement.

Cause of Condition: Policies and procedures have not been designed to ensure the Estimate of Needs with regards to the County's Estimate of Needs and financial statement is accurate.

Effect of Condition: These conditions resulted in an incomplete and incorrect Estimate of Needs.

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

Management Response:

Chairman of the Board of County Commissioners: LeFlore County management will review the estimate of needs, as well as, contact the budget maker prior to approval to ensure that financial information is accurately presented. We will also strive to implement internal controls related to each office, to further accurately present the estimate of need within LeFlore County government.

County Clerk: The LeFlore County Budget Board will review the estimate of needs and contact the CPA or budget maker prior to approval. We will ensure that the estimate of needs presented is financially accurate. The LCBB will implement internal controls per office to insure accuracy.

County Treasurer: The LeFlore County Budget Board will review the estimate of needs and contact the budget maker or CPA prior to approval. Hopefully, with the work of us all, we will reduce the risk of errors and detect misstatements.

Criteria: The adopted budget is an expression of public policy and financial intent and is a method of providing controls over that intent. Effective internal controls as they relate to government entities financial reporting should assist in fulfilling government's duty to be publicly accountable and should enable users' access to that accountability by demonstrating whether resources were obtained and used in accordance with the entity's adopted budget.

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

**LeFLORE COUNTY, OKLAHOMA
PRIOR YEAR SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**Finding 2013-26 - Inadequate County-Wide Controls Over Major Programs – Schools and Roads
(Repeat Finding)**

PASS-THROUGH GRANTOR: Oklahoma State Treasurer

FEDERAL AGENCY: United States Department of Agriculture

CFDA NO: 10.665

FEDERAL PROGRAM NAME: Schools and Roads - Grants to States Lands

FEDERAL AWARD YEAR: 2013

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

QUESTIONED COSTS: -\$0-

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

Status: Management does not feel this finding warrants further action because two years have passed since the audit report was submitted to the Federal clearinghouse. The Federal agency or pass-through entity is not currently following up with the County regarding this finding, and a management decision has not been issued.

**Finding 2013-27 - Inadequate Internal Controls Over Major Federal Program – Schools and Roads
(Repeat Finding)**

PASS-THROUGH GRANTOR: Oklahoma State Treasurer

FEDERAL AGENCY: United States Department of Agriculture

CFDA NO: 10.665

FEDERAL PROGRAM NAME: Schools and Roads - Grants to States

FEDERAL AWARD YEAR: 2013

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

QUESTIONED COSTS: -\$0-

Finding Summary: During the process of documenting the County's internal controls regarding federal disbursements, we noted that LeFlore County has not established procedures to ensure compliance with the following compliance requirements: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort, Earmarking; Procurement and Suspension and Debarment.

Status: Management does not feel this finding warrants further action because two years have passed since the audit report was submitted to the Federal clearinghouse. The Federal agency or pass-through entity is not currently following up with the County regarding this finding, and a management decision has not been issued.

**LeFLORE COUNTY, OKLAHOMA
PRIOR YEAR SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**Finding 2012-26 - Inadequate County-Wide Controls Over Major Programs – Schools and Roads
(Repeat Finding)**

PASS-THROUGH GRANTOR: Oklahoma State Treasurer

FEDERAL AGENCY: United States Department of Agriculture

CFDA NO: 10.665

FEDERAL PROGRAM NAME: Schools and Roads - Grants to States

FEDERAL AWARD YEAR: 2012

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

QUESTIONED COSTS: -\$0-

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

Status: Management does not feel this finding warrants further action because two years have passed since the audit report was submitted to the Federal clearinghouse. The Federal agency or pass-through entity is not currently following up with the County regarding this finding, and a management decision has not been issued.

**Finding 2012-27 - Inadequate Internal Controls Over Major Federal Program – Schools and Roads
(Repeat Finding)**

PASS-THROUGH GRANTOR: Oklahoma State Treasurer

FEDERAL AGENCY: United States Department of Agriculture

CFDA NO: 10.665

FEDERAL PROGRAM NAME: Schools and Roads - Grants to States

FEDERAL AWARD YEAR: 2012

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

QUESTIONED COSTS: -\$0-

Finding Summary: During the process of documenting the County's internal controls regarding federal disbursements, we noted that the County has not established internal controls to ensure compliance with the following compliance requirements: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, level of Effort, Earmarking; Procurement and Suspension and Debarment.

Status: Management does not feel this finding warrants further action because two years have passed since the audit report was submitted to the Federal clearinghouse. The Federal agency or pass-through entity is not currently following up with the County regarding this finding, and a management decision has not been issued.

**LeFLORE COUNTY, OKLAHOMA
PRIOR YEAR SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Finding 2011-25 - Inadequate County-Wide Controls Over Major Programs – Schools and Roads and CDBG

PASS-THROUGH GRANTOR: Oklahoma State Treasurer and Bureau of Indian Affairs

FEDERAL AGENCY: United States Department of Agriculture, United States Department of Housing and Urban Development

CFDA NO: 10.665, 14.228

FEDERAL PROGRAM NAME: Schools and Roads - Grants to States

Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii.

FEDERAL AWARD NUMBER: 13534 CDBG 08, 14066 CDBG ED 09

FEDERAL AWARD YEAR: 2011

CONTROL CATEGORY: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Davis Bacon Act; Equipment and Real Property Management; Matching Level of Effort, Earmarking; Period of Availability of Federal Funds; Procurement and Suspension and Debarment; Program Income; Real Property Acquisition Relocation Assistance; Reporting; Subrecipient Monitoring; and Special Tests and Provisions

QUESTIONED COSTS: \$-0-

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

Status: Management does not feel this finding warrants further action because two years have passed since the audit report was submitted to the Federal clearinghouse. The Federal agency or pass-through entity is not currently following up with the County regarding this finding, and a management decision has not been issued.

Finding 2011-26 - Inadequate Internal Controls Over Major Federal Program – Schools and Roads and CDBG

PASS-THROUGH GRANTOR: Oklahoma State Treasurer and Bureau of Indian Affairs

FEDERAL AGENCY: United States Department of Agriculture, United States Department of Housing and Urban Development

CFDA NO: 10.665, 14.228

FEDERAL PROGRAM NAME: Schools and Roads - Grants to States

Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii

FEDERAL AWARD NUMBER: 14066 CDBG ED 09

FEDERAL AWARD YEAR: 2011

CONTROL CATEGORY: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Davis Bacon Act; Equipment and Real Property Management; Matching Level of Effort, Earmarking; Period of Availability of Federal Funds; Procurement and Suspension and Debarment; Program Income; Real Property Acquisition Relocation Assistance; Reporting; Subrecipient Monitoring; and Special Tests and Provisions

**LeFLORE COUNTY, OKLAHOMA
PRIOR YEAR SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

QUESTIONED COSTS: \$-0

Finding Summary: During the process of documenting the County's internal controls regarding federal disbursements, we noted that the County has not established internal controls to ensure compliance with the following compliance requirements: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Davis Bacon Act; Equipment and Real Property Management; Matching Level of Effort, Earmarking; Period of Availability of Federal Funds; Procurement and Suspension and Debarment; Program Income; Real Property Acquisition Relocation Assistance; Reporting; Subrecipient Monitoring; and Special Tests and Provisions.

Status: Management does not feel this finding warrants further action because two years have passed since the audit report was submitted to the Federal clearinghouse. The Federal agency or pass-through entity is not currently following up with the County regarding this finding, and a management decision has not been issued.

Finding 2010-2 (Repeat Finding)

PASS-THROUGH GRANTOR: Oklahoma State Treasurer

FEDERAL AGENCY: United States Department of Agriculture

CFDA NO: 10.665

FEDERAL PROGRAM NAME: Secure Payments to States and Counties Containing Federal Land

FEDERAL AWARD YEAR: 2010

CONTROL CATEGORY: Activities Allowed, Allowable Costs, Cash Management, and Procurement

QUESTIONED COSTS: \$-0-

Finding Summary: During the process of documenting the County's internal controls regarding federal disbursements, we noted that LeFlore County has not established internal controls to ensure compliance with the following compliance requirements: Activities Allowed, Allowable Costs, Cash Management, and Procurement. Furthermore, the County has incorrectly identified Title I funds as Title III funds.

Status: Management does not feel this finding warrants further action because two years have passed since the audit report was submitted to the Federal clearinghouse. The Federal agency or pass-through entity is not currently following up with the County regarding this finding, and a management decision has not been issued.

Finding 2010-3 (Repeat Finding)

PASS-THROUGH GRANTOR: Bureau of Indian Affairs

FEDERAL AGENCY: United States Department of Transportation

CFDA NO: 20.205

FEDERAL PROGRAM NAME: Highway Planning and Construction

**LeFLORE COUNTY, OKLAHOMA
PRIOR YEAR SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

FEDERAL AWARD YEAR: 2010

CONTROL CATEGORY: Activities Allowed, Allowable Costs, Cash Management, Davis Bacon, and Procurement

QUESTIONED COSTS: \$-0-

Finding Summary: During the process of documenting the County's internal controls regarding federal disbursements, we noted that LeFlore County has not established internal controls to ensure compliance with the following compliance requirements: Activities Allowed, Allowable Costs, Cash Management, Davis Bacon, and Procurement.

Status: Management does not feel this finding warrants further action because two years have passed since the audit report was submitted to the Federal clearinghouse. The Federal agency or pass-through entity is not currently following up with the County regarding this finding, and a management decision has not been issued.

Finding 2010-4

PASS-THROUGH GRANTOR: Oklahoma State Treasurer

FEDERAL AGENCY: United States Department of Agriculture

CFDA NO: 10.665

FEDERAL PROGRAM NAME: Secure Payments to States and Counties Containing Federal Land

FEDERAL AWARD YEAR: 2010

CONTROL CATEGORY: Procurement

QUESTIONED COSTS: \$242,081

Finding Summary: While performing the expenditure testwork, the following exceptions were noted:

- Thirty-five (35) of the eighty-one (81) expenditures tested were not timely encumbered.
- Eight (8) of the thirty-five (35) exceptions noted were for prior year obligations.

Status: Management does not feel this finding warrants further action because two years have passed since the audit report was submitted to the Federal clearinghouse. The Federal agency or pass-through entity is not currently following up with the County regarding this finding, and a management decision has not been issued.

Finding 2010-5

PASS-THROUGH GRANTOR: Bureau of Indian Affairs

FEDERAL AGENCY: United States Department of Transportation

CFDA NO: 20.205

FEDERAL PROGRAM NAME: Highway Planning and Construction

FEDERAL AWARD YEAR: 2010

CONTROL CATEGORY: Procurement

QUESTIONED COSTS: \$810,260.18

**LeFLORE COUNTY, OKLAHOMA
PRIOR YEAR SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Finding Summary: While performing the expenditure testwork, the following exceptions were noted:

- 100% of the expenditures were tested and all three (3) of the expenditures tested were not timely encumbered.

Status: Management does not feel this finding warrants further action because two years have passed since the audit report was submitted to the Federal clearinghouse, the Federal agency or pass-through entity is not currently following up with the County regarding this finding, and a management decision has not been issued.

Finding 2010-6 - Interest Earned on Federal Grants (Repeat Finding)

PASS-THROUGH GRANTOR: Oklahoma State Treasurer and Bureau of Indian Affairs

FEDERAL AGENCY: United States Department of Agriculture, United States Department of Transportation

CFDA NO: 10.665, 20.205

FEDERAL PROGRAM NAME: Secure Payments to States and Counties Containing Federal Land Highway Planning and Construction

FEDERAL AWARD YEAR: 2010

CONTROL CATEGORY: Cash Management

QUESTIONED COSTS: \$-0-

Finding Summary: LeFlore County does not maintain a ledger for interest earned on Federal grants funds (Secure Payments to States and Counties Containing Federal Land Program and Highway Planning and Construction program.) The County earned approximately \$246.05 on these funds during the fiscal year ending June 30, 2010. The interest earned on the funds was apportioned to other funds and not deposited with the Treasury of the United States.

Status: Management does not feel this finding warrants further action because two years have passed since the audit report was submitted to the Federal clearinghouse. The Federal agency or pass-through entity is not currently following up with the County regarding this finding, and a management decision has not been issued.

Finding 2009-2 (Repeat Finding)

PASS-THROUGH GRANTOR: Oklahoma State Treasurer

FEDERAL AGENCY: United States Department of Agriculture

CFDA NO: 10.665

FEDERAL PROGRAM NAME: Schools and Roads – Grants to States

FEDERAL AWARD YEAR: 2009

CONTROL CATEGORY: Activities Allowed, Allowable Costs, Cash Management, and Procurement

QUESTIONED COSTS: \$-0-

**LeFLORE COUNTY, OKLAHOMA
PRIOR YEAR SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Finding Summary: During the process of documenting the County's internal controls regarding federal disbursements, we noted that LeFlore County has not established internal controls to ensure compliance with the following compliance requirements: Activities Allowed, Allowable Costs, Cash Management, and Procurement. Furthermore, the County has incorrectly identified Title I funds as Title III funds.

Status: Management does not feel this finding warrants further action because two years have passed since the audit report was submitted to the Federal clearinghouse. The Federal agency or pass-through entity is not currently following up with the County regarding this finding, and a management decision has not been issued.

Finding 2009-3

PASS-THROUGH GRANTOR: Bureau of Indian Affairs

FEDERAL AGENCY: United States Department of Transportation

CFDA NO: 20.205

FEDERAL PROGRAM NAME: Highway Planning and
Construction

FEDERAL AWARD YEAR: 2009

CONTROL CATEGORY: Activities Allowed, Allowable Costs, Cash Management, Davis Bacon, and
Procurement

QUESTIONED COSTS: \$-0-

Finding Summary: During the process of documenting the County's internal controls regarding federal disbursements, we noted that LeFlore County has not established internal controls to ensure compliance with the following compliance requirements: Activities Allowed, Allowable Costs, Cash Management, Davis Bacon, and Procurement.

Status: Management does not feel this finding warrants further action because two years have passed since the audit report was submitted to the Federal clearinghouse. The Federal agency or pass-through entity is not currently following up with the County regarding this finding, and a management decision has not been issued.

Finding 2009-4

PASS-THROUGH GRANTOR: Oklahoma State Treasurer

FEDERAL AGENCY: United States Department of Agriculture

CFDA NO: 10.665

FEDERAL PROGRAM NAME: Secure Payments to States and Counties Containing Federal Land

FEDERAL AWARD YEAR: 2009

CONTROL CATEGORY: Activities Allowed, Allowable Costs, and Procurement

QUESTIONED COSTS: \$301,027.03

**LeFLORE COUNTY, OKLAHOMA
PRIOR YEAR SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Finding Summary: While performing the expenditure testwork, the following exceptions were noted:

- Twenty-eight (28) of the seventy-six (76) expenditures tested were not timely encumbered.
- Thirteen (13) of the seventy-six (76) expenditures tested were not for activities allowed.
- Thirteen (13) of the seventy-six (76) expenditures tested were not allowable cost.
- One (1) of the seventy-six (76) expenditures tested was not bid or had received phone quotes.

Status: Management does not feel this finding warrants further action because two years have passed since the audit report was submitted to the Federal clearinghouse. The Federal agency or pass-through entity is not currently following up with the County regarding this finding, and a management decision has not been issued.

Finding 2009-5

PASS-THROUGH GRANTOR: Bureau of Indian Affairs

FEDERAL AGENCY: United States Department of Transportation **CFDA NO:** 20.205

FEDERAL PROGRAM NAME: Highway Planning and Construction

FEDERAL AWARD YEAR: 2009

CONTROL CATEGORY: Procurement

QUESTIONED COSTS: \$601,445.90

Finding Summary: While performing the expenditure testwork, the following exceptions were noted:

- Five (5) of the five (5) expenditures tested were not timely encumbered.

Status: Management does not feel this finding warrants further action because two years have passed since the audit report was submitted to the Federal clearinghouse. The Federal agency or pass-through entity is not currently following up with the County regarding this finding, and a management decision has not been issued.

Finding 2008-2 (Repeat Finding)

PASS-THROUGH GRANTOR: Oklahoma State Treasurer

FEDERAL AGENCY: United States Department of Agriculture

CFDA NO: 10.665

FEDERAL PROGRAM NAME: Schools and Roads – Grants to States

FEDERAL AWARD YEAR: 2008

CONTROL CATEGORY: Activities Allowed, Allowable Costs, Cash Management, Earmarking, and Procurement

QUESTIONED COSTS: \$-0-

Finding Summary: During the process of documenting the County's internal controls regarding federal disbursements, we noted that LeFlore County has not established internal controls to ensure compliance

**LeFLORE COUNTY, OKLAHOMA
PRIOR YEAR SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

with the following compliance requirements: Activities Allowed; Allowable Costs; Cash Management; Matching, Level of Effort, Earmarking; and Procurement.

Status: Management does not feel this finding warrants further action because two years have passed since the audit report was submitted to the Federal clearinghouse. The Federal agency or pass-through entity is not currently following up with the County regarding this finding, and a management decision has not been issued.

Finding 2008-3 (Repeat Finding)

PASS-THROUGH GRANTOR: Oklahoma State Treasurer **FEDERAL AGENCY:** United States Department of Agriculture **CFDA NO:** 10.665
FEDERAL PROGRAM NAME: Schools and Roads – Grants to States
FEDERAL AWARD YEAR: 2008
CONTROL CATEGORY: Activities Allowed, Allowable Costs
QUESTIONED COSTS: \$230,829

Finding Summary: The County expended National Forest Receipts for road projects located on federal land and equipment for emergency purposes. These were not allowable expenditures of the program and we questioned \$230,829 of these costs.

Status: Management does not feel this finding warrants further action because two years have passed since the audit report was submitted to the Federal clearinghouse. The Federal agency or pass-through entity is not currently following up with the County regarding this finding, and a management decision has not been issued.

Finding 2007-2 (Repeat Finding)

PASS-THROUGH GRANTOR: Oklahoma State Treasurer
FEDERAL AGENCY: United States Department of Agriculture
CFDA NO: 10.665
FEDERAL PROGRAM NAME: Schools and Roads – Grants to States
FEDERAL AWARD YEAR: 2007
CONTROL CATEGORY: Activities Allowed, Allowable Costs, Cash Management, Earmarking, and Procurement
QUESTIONED COSTS: \$-0-

Finding Summary: During the process of documenting the County's internal controls regarding federal disbursements, we noted that LeFlore County has not established internal controls to ensure compliance with the following compliance requirements: Activities Allowed; Allowable Costs; Cash Management; Earmarking; and Procurement.

**LeFLORE COUNTY, OKLAHOMA
PRIOR YEAR SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Status: Management does not feel this finding warrants further action because two years have passed since the audit report was submitted to the Federal clearinghouse. The Federal agency or pass-through entity is not currently following up with the County regarding this finding, and a management decision has not been issued.

Finding 2007-3

PASS-THROUGH GRANTOR: Oklahoma State Treasurer
FEDERAL AGENCY: United States Department of Agriculture
CFDA NO: 10.665
FEDERAL PROGRAM NAME: Schools and Roads – Grants to States
FEDERAL AWARD YEAR: 2007
CONTROL CATEGORY: Activities Allowed, Allowable Costs
QUESTIONED COSTS: \$37,236

Finding Summary: The County expended National Forest Receipts for road projects located on federal land and equipment for emergency purposes. These were not allowable expenditures of the program and we questioned \$37,236 of these costs.

Status: Management does not feel this finding warrants further action because two years have passed since the audit report was submitted to the Federal clearinghouse. The Federal agency or pass-through entity is not currently following up with the County regarding this finding, and a management decision has not been issued.



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