



# LEFLORE COUNTY

## Financial Audit

For the fiscal year ended June 30, 2016

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

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

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Cindy Byrd, CPA | State Auditor & Inspector

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June 24, 2019

TO THE CITIZENS OF  
LeFLORE COUNTY, OKLAHOMA

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

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

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

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

Sincerely,

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

CINDY BYRD, CPA  
OKLAHOMA STATE AUDITOR & INSPECTOR



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

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**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**

April Caughern

**Court Clerk**

Melba Hall

**District Attorney**

Jeff Smith

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

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## **FINANCIAL SECTION**

## 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, 2016, and the related notes to the financial statement, which collectively comprise the County's basic financial statement as listed in the table of contents.

### *Management's Responsibility for the Financial Statement*

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

### *Auditor's Responsibility*

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

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

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



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

As described in Note 1, the financial statement is prepared by 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, 2016, or changes in financial position for the year then ended.

### ***Unmodified Opinion on Regulatory Basis of Accounting***

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

### ***Other Matters***

#### ***Supplementary and Other Information***

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

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

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 or County Health Fund. Although not a part of the financial statement, such information is an integral part of the regulatory presentation for county government.



***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2019, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering LeFlore County's internal control over financial reporting and compliance.



CINDY BYRD, CPA  
OKLAHOMA STATE AUDITOR & INSPECTOR

June 17, 2019

## **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, 2016**

	Beginning Cash Balances July 1, 2015	Receipts Apportioned	Transfers In	Transfer Out	Disbursements	Ending Cash Balances June 30, 2016
Combining Information:						
Major Funds:						
General Fund	\$ 277,548	\$ 3,881,870	\$ 3,500	\$ 1,056	\$ 3,811,086	\$ 350,776
Highway Cash	2,191,186	5,511,594	1,021	-	5,799,643	1,904,158
County Health	825,170	705,985	-	-	735,567	795,588
County Sinking	12,200	43,604	-	-	33,329	22,475
FEMA	156,491	328,535	-	-	58,770	426,256
Resale Property	231,764	288,726	166,665	-	360,184	326,971
Hospital-LeFlore County Hospital	-	1,702,522	-	-	1,702,522	-
Sheriff Service Fee	57,720	237,864	-	1,917	189,156	104,511
Solid Waste	823,530	2,320,361	-	-	2,277,207	866,684
Special 911 Account	70,424	577,195	-	-	577,880	69,739
Jail Bond Account	440,975	1,702,522	-	-	1,714,684	428,813
Jail Fund	76,506	1,420,567	2,530	-	1,424,801	74,802
EMPG/SLA	7,148	52,510	35	-	29,481	30,212
County Bridge Road Fund 105	1,186,888	444,473	-	-	323,766	1,307,595
Arkoma Fire Department	49,332	30,402	-	-	38,634	41,100
Big Cedar Fire Department	22,304	30,402	-	-	32,868	19,838
Bokoshe Fire Department	36,232	30,407	-	-	42,589	24,050
Cowlington Fire Department	18,716	30,402	-	-	28,984	20,134
Fanshawe Fire Department	88,321	30,402	-	-	73,375	45,348
Ft. Coffee Fire Department	37,349	30,402	-	-	37,408	30,343
Haw Creek Rural Fire Department	12,233	30,402	-	-	29,535	13,100
Heavener Fire Department	24,844	30,402	-	-	27,100	28,146
Hodgen Rural Fire Department	14,379	30,402	-	-	30,906	13,875
Hogeye Fire Department	19,423	30,402	-	-	32,171	17,654
Honobia Fire Department	106,073	30,402	-	-	3,480	132,995
Howe Fire Department	9,386	30,402	-	-	26,264	13,524
Latham Dog Creek Fire Department	27,696	30,402	-	-	42,132	15,966
LeFlore Fire Department	10,085	30,402	-	-	27,447	13,040
Monroe Fire Department	14,719	30,402	-	-	25,786	19,335
Murray Spur Fire Department	8,304	30,403	-	-	33,503	5,204
Octavia Fire Department	46,510	30,402	-	-	14,557	62,355
Panama Fire Department	33,203	30,403	-	-	22,498	41,108
Pocola Fire Department	44,971	30,402	-	-	1,221	74,152
Post Mountain Fire Department	34,857	30,402	-	-	35,839	29,420
Poteau Fire Department	34,045	30,402	-	-	37,405	27,042
Reichert Fire Department	25,675	30,402	-	-	22,192	33,885
Shady Point Fire Department	53,199	30,402	-	-	51,694	31,907
Spiro Fire Department	34,440	30,402	-	-	41,862	22,980
Summerfield Fire Department	6,023	30,402	-	-	27,205	9,220
Talihina Fire Department	26,919	30,402	-	-	37,558	19,763
Whitesboro Fire Department	8,847	30,402	-	-	22,859	16,390
Wister Fire Department	3,208	30,402	-	-	29,174	4,436
Remaining Aggregate Funds	378,092	380,191	-	3,500	397,011	357,772
<b>Combined Total - All County Funds, as Restated</b>	<b>\$ 7,586,935</b>	<b>\$ 20,449,782</b>	<b>\$ 173,751</b>	<b>\$ 6,473</b>	<b>\$ 20,311,333</b>	<b>\$ 7,892,662</b>

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, 2016**

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**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.

County Sinking – accounts for debt service receipts derived generally from a special ad valorem tax levy and from interest earned on investments of cash not immediately required for debt service payments.

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

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

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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.

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

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

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

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 the OSU Extension service office, 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.

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

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

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.

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

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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.

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 fire district.

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.

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

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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 fire district.

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.

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

**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

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

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greater of total county revenue. All other funds included in the audit shall be presented in the aggregate in a combining statement.

**D. Budget**

Under current Oklahoma Statutes, a general fund and a county health department fund are the only funds required to adopt a formal budget. On or before 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."



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

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Taxes are due on November 1 following the levy date, although they may be paid in two equal installments. If the first half is paid prior to January 1, the second half is not delinquent until April 1. The County Treasurer, according to the law, shall give notice of delinquent taxes and special assessments by publication once a week for two consecutive weeks at any time after April 1, but prior to the end of September following the year the taxes were first due and payable. Unpaid real property taxes become a lien upon said property after the treasurer has perfected the lien by public notice.

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

**3. Other Information**

**A. Pension Plan**

Plan Description. The County contributes to the Oklahoma Public Employees Retirement Plan (the Plan), a cost-sharing, multiple-employer defined benefit pension plan administered by the Oklahoma Public Employees Retirement System (OPERS). Benefit provisions are established and amended by the Oklahoma Legislature. The Plan provides retirement, disability, and death benefits to Plan members and beneficiaries. Title 74, Sections 901 through 943, as amended, establishes 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, 2016**

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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, 2016, the County paid \$31,666 in principle and \$1,663 interest, which is the final payment for this judgment.

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

**E. Sales Tax**

The voters of LeFlore County approved a one-half of one percent (1/2%) 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 (3/4%) 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, County Election Board offices and public meeting rooms. Of this sales tax one-quarter of one percent (1/4%) is permanent and is to be used for the continuing maintenance and operation of the facility. The remaining one-half of one percent (1/2%) 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 permanent one-quarter of one percent (1/4%) 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, Hogeye, Honobia, Howe, Latham Dog Creek, LeFlore, Monroe, Murray Spur, Octavia, Panama, Pocola, Post Mountain, Poteau, Reichert, Shady Point, Spiro, Stapp-Zoe, 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

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

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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.

- \$3,500 was transferred into the General Fund from the following funds
  - Assessor Revolving Fund - \$3,000 was transferred to cover maintenance and operation expenses due to a lack of funds in that account.
  - LeFlore County Flood Plain fund - \$500 was transferred to cover travel expenses due to a lack of funds in that account.
- \$1,056 was transferred from the General Fund into the following funds
  - Highway Cash fund - \$1,021 was transferred to cover a personnel services expense for a longevity bonus.
  - EMPG/SLA fund - \$35 was transferred to cover travel expenses due to a lack of funds in that account.
- \$166,665 was transferred into the Resale Property fund from the Excess Resale-Official Depository Account (a trust & agency fund) in accordance with 68 O.S. § 3131(C).
- \$1,917 was transferred from the Sheriff Service Fee fund to the Jail Fund to cover the expense of lease rental payments.
- \$613 was transferred from the Jail Department of Corrections fund (a trust & agency fund) to the Jail Fund to cover maintenance and operations expenses.

**G. Restatement of Fund Balance**

During the fiscal year, the County had a reclassification of a fund. DA Drug Court – District 16 was reclassified as a county fund.

Prior year ending balance, as reported	\$7,449,968
Fund reclassified to County Fund:	
DA Drug Court – District 16	<u>136,967</u>
Prior year ending balance, as restated	<u>\$7,586,935</u>

## **OTHER SUPPLEMENTARY INFORMATION**

**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, 2016**

	Beginning Cash Balances July 1, 2015	Receipts Appportioned	Transfer In	Transfer Out	Disbursements	Ending Cash Balances June 30, 2016
Remaining Aggregate Funds:						
Assessor Revolving Fund	\$ 2,100	\$ 5,037	\$ -	\$ 3,000	\$ 875	\$ 3,262
County Clerk Lien Fee	23,227	12,153	-	-	19,104	16,276
EM/MRC	-	4,500	-	-	-	4,500
LeFlore County Flood Plain	6,571	24,154	-	500	20,080	10,145
Mortgage Tax Certification Fee	17,423	7,320	-	-	9,159	15,584
Records, Maintenance & Preservation Cash Fund	42,432	46,912	-	-	44,073	45,271
Sheriff Corp Engineer Cash	12,010	23,163	-	-	13,424	21,749
Sheriff Department of Corrections	7	-	-	-	-	7
County Reward Fund	2,607	18	-	-	-	2,625
DOC Community Sentencing	20,480	-	-	-	-	20,480
County Bridge Road Fund 103	113,535	-	-	-	33,925	79,610
14-REAP K8024	-	25,165	-	-	25,165	-
15-REAP K9021	-	25,441	-	-	25,441	-
15-REAP K9023	-	25,441	-	-	25,441	-
Sheriff Training Program	9	-	-	-	-	9
Sheriff K-9	10	1,197	-	-	994	213
LEPC	714	1,000	-	-	272	1,442
DA Drug Court - District 16	136,967	178,690	-	-	179,058	136,599
<b>Combined Total - Remaining Aggregate Funds, as Restated</b>	<b>\$ 378,092</b>	<b>\$ 380,191</b>	<b>\$ -</b>	<b>\$ 3,500</b>	<b>\$ 397,011</b>	<b>\$ 357,772</b>

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

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**1. Budgetary Schedules**

The Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis for the General Fund and Health Fund have 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 the 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.

EM/MRC – Medical Reserve Corp funds from various sources to be used for Medical Emergency Supplies.

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.

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.

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

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Sheriff Corp Engineer 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.

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

15-REAP K9021 – accounts for revenues from state REAP funds. Disbursements are for County Highway District 2 road improvements.

15-REAP K9023 – accounts for revenues from state REAP funds. 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.

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

DA Drug Court – District 16 – accounts for state funds and collections of penalties for operational expenses of processing drug offenders.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**



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

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed Through Oklahoma State Treasurer:			
Schools and Roads-Grants to States	10.665		\$ 455,412
Total U.S. Department of Agriculture			<u>455,412</u>
<b>U.S. DEPARTMENT OF THE INTERIOR</b>			
Direct Grant:			
Payments in Lieu of Taxes	15.226		<u>232,251</u>
Total U.S. Department of the Interior			<u>232,251</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Passed Through State Department of Human Services:			
Medical Reserve Corps Small Grant Program	93.008	NACCCHO	<u>1,638</u>
Total U.S. Department of Health and Human Services			<u>1,638</u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>			
Passed Through the Oklahoma Department of Emergency Management:			
Disaster Grants-Public Assistance (Presidentially Declared Disasters)	97.036	DR 4222	193,064
Hazard Mitigation Grant	97.039	HM FEMA	2,485
Emergency Management Performance Grants	97.042	EMPG/SLA	<u>17,864</u>
Total U.S. Department of Homeland Security			<u>213,413</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 902,714</u>

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

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Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of LeFlore County, and is presented on the *cash basis of accounting*. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance.

Indirect Cost Rate

LeFlore County has elected to not use the 10 percent de minimis cost rate allowed for by 2 CFR§ 200.414(f).

Eligible Expenditures Incurred in the Prior Fiscal Year

On May 26, 2015, the President of the United States approved a Major Disaster Declaration for LeFlore County in response to Oklahoma Severe Storms, Tornados, Straight-line Winds, and Flooding from May 05, 2015 to June 22, 2015. The County incurred \$101,456 in eligible expenditures in the prior fiscal year ending June 30, 2015. The Federal Emergency Management Agency approved all project worksheets for this disaster in the fiscal year ending June 30, 2016. Therefore, expenditures on the schedule of expenditures of federal awards for CFDA #97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters) will include \$101,456 in eligible expenditures incurred in the fiscal year ending June 30, 2015 and all eligible expenditures that were incurred in the fiscal year ending June 30, 2016.

## **INTERNAL CONTROL AND COMPLIANCE SECTION**

**Independent Auditor's Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements Performed in  
Accordance With *Government Auditing Standards***

TO THE OFFICERS OF  
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, 2016, 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 June 17, 2019.

Our report included an adverse opinion on the financial statement because the statement is prepared using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County for the year ended June 30, 2016, on the basis of accounting prescribed by Oklahoma state law, described in Note 1.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statement, we considered 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 questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination



of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses: 2016-001, 2016-003, 2016-004, 2016-008, 2016-009, and 2016-011.

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 deficiency described in the accompanying schedule of findings and questioned costs to be significant deficiency: 2016-002.

### **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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2016-009.

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 Response to Findings**

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

### **Purpose of this Report**

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

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



CINDY BYRD, CPA  
OKLAHOMA STATE AUDITOR & INSPECTOR

June 17, 2019

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

TO THE OFFICERS OF  
LeFLORE COUNTY, OKLAHOMA

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

We have audited the compliance of LeFlore County, Oklahoma, with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on LeFlore County's major federal program for the year ended June 30, 2016. 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**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 on compliance for each major federal program. However, our audit does not provide a legal determination of LeFlore County's compliance.



### **Basis for Qualified Opinion on Schools and Roads – Grants to States**

As described in Finding 2016-020 in the accompanying schedule of findings and questioned costs, LeFlore County did not comply with requirements regarding the following:

<b>Finding #</b>	<b>CFDA #</b>	<b>Program (or Cluster) Name</b>	<b>Compliance Requirement</b>
2016-020	10.665	Schools and Roads – Grants to States	Earmarking

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

### **Qualified Opinion on Schools and Roads – Grants to States**

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, LeFlore County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Schools and Roads – Grants to States for the year ended June 30, 2016.

### **Other Matters**

LeFlore County's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. LeFlore County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Management of LeFlore County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered LeFlore County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of LeFlore County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over

compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2016-017, 2016-018, and 2016-019, that we consider to be material weaknesses.

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

LeFlore County's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. LeFlore County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. This report is also a public document pursuant to the Oklahoma Open Records Act (51 O.S., section 24A.1 et seq.), and shall be open to any person for inspection and copying.



CINDY BYRD, CPA  
OKLAHOMA STATE AUDITOR & INSPECTOR

June 17, 2019



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

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**SECTION 1—Summary of Auditor's Results**

Financial Statements

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

Internal control over financial reporting:

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

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

Federal Awards

Internal control over major programs:

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

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

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

Identification of Major Programs

CFDA Number(s)

10.665

Name of Federal Program or Cluster

Schools and Roads-Grants to States

Dollar threshold used to distinguish between

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

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

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

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**SECTION 2—Findings related to the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

**Finding 2016-001 – Inadequate County –Wide Internal Controls (Repeat Finding – 2011-001, 2012-001, 2013-001, 2014-001, 2015-001)**

**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 transactions, undetected errors, or misappropriation of funds.

**Recommendation:** The Oklahoma State Auditor & Inspector’s Office (OSAI) recommends that the County design and implement a system of county-wide procedures to identify and address risks related to financial reporting and to ensure that information is communicated effectively. OSAI also recommends 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:** LeFlore County will implement a system of county wide procedures to address the risks related to financial reporting and establish more open dialogue among elected officials and department heads. We will discuss in our Budget Board meetings risks related to financial reporting and a system to gauge the performance over time.

**County Clerk:** I have contacted our assistant district attorney for advisement on how to write a policy for our county handbook regarding this matter. I believe that our LeFlore County Budget Board will incorporate OSAI form #500 for our Budget Board meeting. I will bring the OSAI form #500 to the attention of each officer by August 1, 2018.

**County Treasurer:** Since our audit period we have added risk assessment and monitoring to our end of the month Budget Board meeting. This is a time where we can bring up concerns or situations that each office holder may have or be aware of. In speaking with, the State Auditor and Inspector’s office, they have provided us with a new form that we can use as a guide to ensure that we are taking all the proper steps to address risks associated in the 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

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

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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.

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

**Finding 2016-002 – Disaster Recovery Plan (Repeat Finding 2014-002, 2015-002)**

**Condition:** The County Sheriff's office did not prepare a disaster recovery plan.

**Cause of Condition:** Policies and procedures have not been designed and implemented to develop 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 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 that the County Sheriff develop a 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 county personnel and their roles and responsibilities of information services function.
- Listing of contracted service providers.
- Information on location of key resources, including back-up site for recovery operating system, application, data files, operating manuals and program/system/user/documentation.
- Alternative work locations once IT resources are available.

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

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In addition, OSAI recommends that 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 has been updated and filed with the County Clerk and the Emergency Management office. It has been distributed to key personnel in the office.

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

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 2016-003 – Reconciliation of Appropriation Ledger to General Ledger (Repeat Finding 2011-009, 2012-009, 2013-009, 2014-008, 2015-007)**

**Condition:** Based on our documentation of controls, reconciliations are not being performed between the County Clerk's appropriation ledger and the County Treasurer's general ledger for all funds and on a monthly basis.

**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 for all funds.

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

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

**Management Response:**

**County Treasurer:** We reconcile the general ledger to the appropriation ledger every month, we failed to always attach our reconciliation along with initials with who reconciled the ledgers from an employee of the

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

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County Clerk and County Treasurer's office. Since audit period, we are making sure that reconciliations are dated, initialed and attached to the ledgers.

**County Clerk:** The County Clerk's office along with the County Treasurer's office has been reconciling each month, the appropriation ledger to the general ledger.

**Criteria:** Safeguarding controls are an aspect on 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 2016-004 – Inadequate Internal Controls Over Information Systems Security – County Treasurer (Repeat Finding 2011-003, 2012-003, 2013-003, 2014-003, 2015-003)**

**Condition:** Upon review of the computer systems within the office of the County Treasurer, 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:** Our software provider has designed a new system that I hope to be able to integrate shortly. Unfortunately, as with most counties I work within a tight budget, which makes upgrades hard to do. But we are working toward upgrading the system.

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

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

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**Finding 2016-008 – Inadequate Segregation of Duties Over the Payroll Process (Repeat Finding 2011-008, 2012-008, 2013-008, 2014-007, 2015-006)**

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

- The payroll clerk enters changes to accounts or funds for all departments except Highway and Jail, enters salary increase or decreases into the payroll system, prepares payroll check lists and verifies to the payroll verification reports, enters employee requested changes to benefits and withholdings, enrolls new hires, and maintains employee personnel files.
- The bookkeeping deputy enters changes to accounts or funds for highway districts and jail she also enters their salary increases or decreases into the system, prints payroll affidavits and warrants and makes all direct deposits.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure adequate 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.

Also, OSAI recommends that all payroll information entered into the computer system be reviewed by someone other than the preparer.

**Management Response:**

**County Clerk:** Payroll Clerk/Clerks cannot make changes to payroll without the Officer's consent and signature. The Officer is given a copy of the previous month's payroll claim, if they make a change, they notate and sign. As County Clerk, I also initial changes on the hard copy. Payroll clerk notates on computer. Computer and hard copies are balanced. We print out verified payroll for officers to approve. Once approved, we re-check before payroll is printed to make sure it balances.

**Auditor Response:** The payroll clerk has the ability to makes changes within the payroll system and during our audit period there was no documentation of the reviews.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designed to analyze and check accuracy, completeness, and authorization of payroll calculations and/or transactions to allow for prevention and detection of errors and abuse. To help

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ensure a proper accounting of funds, key functions within the payroll process such as the duties of processing, authorizing, and payroll distribution should be adequately segregated.

**Finding 2016-009 – Noncompliance Over the Disbursement Process**

**Condition:** Upon inquiry of County personnel, observation of the County’s disbursement process, and test work performed, the following was noted:

- Of the sixty (60) purchase orders tested, six (6) were not timely encumbered.

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

**Effect of Condition:** The condition resulted in noncompliance with state statute and could result in inaccurate records, incomplete information, or misappropriation of assets.

**Recommendation:** OSAI recommends that the County adhere to state purchasing guidelines. Purchase orders should be encumbered before goods or services are ordered and have adequate supporting documentation attached.

**Management Response:**

**County Clerk:** We follow purchasing procedures to the best of our ability, unfortunately we are unable to avoid all purchases being untimely encumbered. Other offices do not always get us their information according to the purchasing statutes. We had a meeting on November 30, 2016 during our Budget Board meeting where I invited all requisitioning officers and county elected officers or head of departments. I explained in detail proper purchasing procedures and gave them all a copy of the handout that was presented at the Association of County Commissioners of Oklahoma (ACCO) conference. I had everyone who attended this meeting sign a form stated that they had received a copy of the handout.

**County Sheriff:** The County Sheriff’s office will ensure that all purchases comply with state purchasing guidelines.

**Chairman of the Board of County Commissioners:** Leflore County will adhere to our policy and procedures regarding purchase orders, implementing guidelines if necessary, to make sure that all purchase orders are encumbered in a timely manner.

**County Commissioner District 2:** We will make sure all purchase orders are encumbered on a timely basis.

**County Commissioner District 3:** We will adhere to the state purchasing guidelines by encumbering purchase orders before goods or services are ordered and will have adequate supporting documentation attached.

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**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 disbursements and/or transactions.

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

**Finding 2016-11 – Inadequate Internal Controls Over the Financial Statement (Repeat Finding 2014-018, 2015-019)**

**Condition:** The County has not designed and implemented internal controls for the presentation of the County financial statement. During the review and reconciliation of the financial statement as initially prepared by the County, we determined the financial statement materially misstated.

The cash receipts and cash disbursements were reported as \$21,241,858 and \$20,186,921 respectively. A review of the records provided by the County Treasurer determined that the actual receipts and disbursements amounts were \$20,449,782 and \$20,311,333; an overstatement of \$792,076 of apportionments and an understatement of \$124,412 of disbursements.

**Cause of Condition:** Internal controls 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 cash receipts and cash disbursements are reported accurately on the financial statement.

**Management Response:**

**Chairman of the Board of County Commissioners:** LeFlore County will design and implement internal controls for the county offices (LeFlore County Clerk, County Treasurer, Board of County Commissioners, all offices) regarding financial statements. This will provide for a more accurate accounting of financial records regarding apportionments and disbursements.

**County Treasurer:** The above finding has been noted and after speaking with the State Auditor and Inspector's office the majority of the discrepancies are due to my misclassification of funds as county funds as trust and agency funds. I have made the corrections on the fiscal year 2018 financial statement and it has been reviewed by someone other than the preparer. I will continue to do my best to ensure that the financial statement is correct.



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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.

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

**Finding 2016-017 – Inadequate Internal Controls Over the Schedule of Expenditures of Federal Awards (SEFA) (Repeat Finding 2015-16)**

**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:** 2016

**CONTROL CATEGORY:** Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort, Earmarking.

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

**Condition:** During our audit we identified federal programs that were not listed accurately on the County's Schedule of Expenditures of Federal Awards (SEFA). Federal expenditures were overstated by \$420,168.

The following misstatements were noted:

- The actual expenditure for the Schools and Roads-Grants to States CFDA 10.665 were \$455,412 and the County reported \$465,217. The County overstated the expenditures for CFDA 10.665 by \$9,805.
- The actual expenditures for the Payments In Lieu of Taxes CFDA 15.226 were \$232,251 and the County reported \$484,012. The County overstated the expenditures for CFDA 15.226 by \$251,761.
- The actual expenditures for the Medical Reserve Corps Small Grant Program CFDA 93.008 were \$1,638 and the County reported \$10,199. The County overstated the expenditures for CFDA 93.008 by \$8,561.
- The actual expenditures for the Disaster Grants-Public Assistance (Presidentially Declared Disasters) CFDA 97.036 were \$193,064 and the County reported \$330,786. The County overstated the expenditures for CFDA 97.036 by \$137,722.

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- The actual expenditures for the Hazard Mitigation Grant CFDA 97.039 were \$2,485 and the County reported \$12,668. The County overstated the expenditures for CFDA 97.039 by \$10,183.
- The actual expenditures for the Emergency Management Performance Grant (EMPG) CFDA 97.042 were \$17,864 and the County reported \$20,000. The County overstated the expenditures for CFDA 97.042 by \$2,136.

Reported Total Expenditures of Federal Award	\$1,322,882
Subtract: Schools and Roads (CFDA 10.665)	9,805
Subtract: Payments in Lieu of Taxes (CFDA 15.226)	251,761
Subtract: Medical Reserve Corp (CFDA 93.008)	8,561
Subtract: Public Assistance Grant (CFDA 97.036)	137,722
Subtract: Hazard Mitigation Grant (CFDA 97.039)	10,183
Subtract: EMPG (CFDA 97.042)	<u>2,136</u>
Actual Federal Expenditures of Federal Awards	\$902,714
Original SEFA overstated by	<u>\$420,168</u>

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

**Effect of Condition:** This resulted in the erroneous reporting and/or a material misstatement of the County's Schedule of Expenditures of Federal Awards and increases the potential for material noncompliance.

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

**Management Response:**

**Chairman of the Board of County Commissioners:** LeFlore County will implement internal controls among offices to monitor compliance with regulations pertaining to federal grants, which will give LeFlore County a more accurate accounting of federal expenditures.

**Criteria:** Title 2 CFR 200 § 200.510, *Financial Statements*, reads as follows:

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

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

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

**Finding 2016-018 – Inadequate County-Wide Controls Over Major Federal Programs (Repeat Finding – 2015-020)**

**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:** 2016

**CONTROL CATEGORY:** Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort, Earmarking.

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

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

**Cause of Condition:** Policies and procedures have not been designed 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.

**Management Response:**

**Chairman of the Board of County Commissioners:** LeFlore County will establish more open line of information and communication between offices and implement internal controls in each office and between offices to ensure compliance with grants.

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

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Environment, Risk Assessment, Information and Communication, and Monitoring for the achievement of these goals.

Control environment is the foundation for all other components of internal control. When management believes that internal controls are important to meeting its goals and objectives and communicates this belief to its employees at all levels, internal controls are more likely to be functioning well. However, if management views internal controls as unrelated to achieving its goals and objectives, or even as an obstacle, it is almost a certainty that this attitude will be held by all employees, despite official statements or policies to the contrary. This understanding by management of the importance of internal controls and the communication of this importance to its employees are key elements of the control environment.

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

Information and Communication is a component of internal controls which should provide for a county to run and control its operations. A County must have relevant, reliable information, both financial and nonfinancial. 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 2016-019 – Inadequate Internal Controls Over Major Federal Program – Schools and Roads-Grants to States (Repeat Finding – 2015-21)**

**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:** 2016

**CONTROL CATEGORY:** Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort, Earmarking.

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

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**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; and Matching, Level of Effort, Earmarking.

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

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

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

**Management Response:**

**County Commissioner District 1:** LeFlore County will implement internal control procedures to ensure compliance with requirements.

**County Commissioner District 2:** LeFlore County will gain a better understanding of requirements for federal programs. We will maintain a more open line of communication between offices to discuss federal expenditures and the requirements pertaining to them and establish internal control procedures to ensure compliance.

**County Commissioner District 3:** We will gain an understanding of requirements of these programs and implement better internal control procedures to ensure compliance with grant requirements.

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

The non-Federal entity must:

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

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

**Finding 2016-020 – Noncompliance with Compliance Requirement G-Earmarking (Repeat Finding 2015-23)**

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**PASS-THROUGH GRANTOR:** Oklahoma State Treasurer  
**FEDERAL AGENCY:** US Department of Agriculture  
**CFDA NO:** 10.665  
**FEDERAL PROGRAM NAME:** Schools and Roads-Grants to States  
**FEDERAL AWARD YEAR:** 2016  
**CONTROL CATEGORY:** Matching, Level of Effort, and Earmarking  
**QUESTIONED COSTS:** \$27,999

**Context:** We tested 100% of the Title I federal grant monies received for CFDA 10.665 which was \$755,486. This test found that the grant was not in compliance with questioned costs totaling \$27,999. The County incorrectly earmarked and apportioned funds to the County Highway Fund (Roads) that should have been apportioned to the Schools. The County has been earmarking and apportioning CFDA 10.665 grant funds in this manner for the entirety of receiving the funding for the grant. Failing to correctly earmark and apportion federal funding, in accordance with the guidelines of the grant, could result in the federal government denying future funding to the County.

**Condition:** While reviewing miscellaneous receipts, we noted that LeFlore County has been earmarking an additional unauthorized 15% of funds from 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 that the County gain an understanding of the requirements for this program and implement internal controls to ensure compliance with these requirements.

**Management Response:**

**Chairman of the Board of County Commissioners:** LeFlore County will design policy and procedures to ensure federal funds are being appropriated in accordance with federal compliance requirements. LeFlore County will establish a more open line of communication between the Board of County Commissioners and all the offices in the county. Making sure that the compliance requirements over federal monies are being met.

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

The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the

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United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

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.”

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

**Finding 2016-013 – Inadequate Internal Controls and Non-Compliance Over Estimate of Needs (Repeat Finding)**

**Condition:** While reviewing the 2016-2017 Estimate of Needs and Financial Statement of the fiscal year 2015-2016 we noted that the information related to the General Fund and County Health fund cash receipts and disbursements were presented with inaccurate information and the related schedules were not completed to include all information.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure the County’s Estimate of Needs is accurate.

**Effect of Condition:** These conditions resulted in noncompliance with state statute and an incomplete and inaccurate Estimate of Needs being approved. Additionally, the comparative schedules of receipts, expenditures, and changes in cash balances-budget and actual-budgetary basis for the General Fund and County Health funds could not be presented.

**Recommendation:** OSAI recommends the County 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 will establish procedures of review pertaining to actual revenues and expenditures. Establishing that the financial information and estimate of needs is accurate.

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**County Clerk:** The LeFlore County Budget Board will review the estimate of needs and contact the Certified Public Accountant (CPA) /budget maker prior or approval. We have recently released the prior CPA from preparing the estimate of needs and have contracted with another CPA. This change took affect May 24, 2018. We will work together to ensure accuracy.

**County Treasurer:** This finding has been noted, we will try to work together and take the advice that has been given during audit to ensure that the Estimate of Needs and Financials are accurate we are new at preparing these ourselves, so hopefully with time and practice they will continue to get better.

**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.

Title 19 O.S. § 1410 (A) states, "At least thirty (30) days prior to the beginning of each fiscal year, a budget for each fund of the county for which a budget is required shall be completed by the county budget board. Each budget shall provide a complete financial plan for the budget year. The budget format shall be as prescribed by the State Auditor and Inspector. The format shall contain at least the following in tabular form for each fund, itemized by department and account within each fund:

1. Actual revenues and expenditures for the immediate prior fiscal year;
2. Estimated actual revenues and expenditures for the current fiscal year; and
3. Estimated revenues and proposed expenditures for the budget year."

**Finding 2016-014 – Inadequate Internal Controls and Noncompliance Over Fixed Assets (Repeat Finding)**

**Condition:** Upon inquiry and observation of the recordkeeping processes regarding fixed assets, the following was noted:

- The following offices did not perform, document and file with the County Clerk an annual review of fixed assets: District 1, District 2, District 3, County Clerk, County Treasurer, County Assessor, County Sheriff, Emergency Management, Courthouse Maintenance, OSU Extension, County 911, Detention Center, and the Fire Departments of Arkoma, Big Cedar, Bokoshe, Cowlington, Fanshawe, Ft Coffee, Haw Creek, Heavener, Hodgen, Hogeye, Honobia, Howe, Latham-Dog Creek, Murry Spur, Octavia, Panama, Pocola, Post Mountain, Poteau, Reichert, Shady Point, Spiro, 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.



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**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 comply with 19 O.S. § 178.1 by performing and documenting a periodic inventory of fixed assets. The verification should be performed by an individual independent of the fixed asset recordkeeping process. OSAI also recommends that inventory records be maintained and updated in the County Clerk's office. These inventory records include fixed asset cards, inventory lists, and copies of the periodic review of fixed assets.

**Management Response:**

**Chairman of the Board of County Commissioners:** LeFlore County will establish a policy pertaining to the fixed assets. Requiring an inventory list of fixed assets be provided to the County Clerk and documentation of an annual review. Fire Departments, Courthouse Maintenance, Detention Center, and Drug Court will also adhere to this policy.

**County Commissioner District 1:** An inventory list for fixed assets will be reviewed and filed with the County Clerk.

**County Commissioner District 2:** We will conduct an annual review of fixed assets complete with initial and date of each review and will file with County Clerk's office.

**County Commissioner District 3:** We will document a periodic inventory of fixed assets, by an individual dependent of the fixed asset recordkeeping process, including fixed asset cards and inventory list. We will have a copy at the County Clerk's office as well.

**County Clerk:** Our inventory clerk records the fixed asset lists for every county entity. We did not realize that she could not do our inventory and review it. The first deputy will be doing the annual review and documenting that review.

**County Treasurer:** We do have and maintain an inventory list we just failed to file a copy with the County Clerk for fiscal year 2016.

**County Assessor:** We will file an inventory list with two signatures with the County Clerk's office.

**County Sheriff:** We are currently revising the inventory of property and removing/adding items where needed. Some property will be disposed of as soon as authorization is received from the Board of County Commissioners. Updated inventory will then be filed in the County Clerk's office.

**Emergency Management:** I was not the Emergency Management Director at the time this issue occurred. However, I am in the process of getting an up to date inventory list completed and submitted to the County Clerk's office.

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**OSU Extension:** We will complete a physical inventory of fixed assets yearly by two (2) employees. Complete and up to date inventory records will then be submitted to the County Clerk's office to be put on file each year. A copy of documentation will be retained in the OSU Extension office.

**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. § 178.2 and 19 O.S. § 178.1.

**APPENDIX A**  
**CORRECTIVE ACTION PLAN**  
**(Prepared by County Management)**

**DERWIN GIST**  
District # 1 – Spiro  
Shop: 918-962-9471

**LANCE SMITH**  
District # 2 – Poteau  
Shop: 918-647-3600

**CRAIG OLIVE**  
District # 3 - Heavener  
Shop: 918-653-4494

**LEFLORE COUNTY  
BOARD OF COUNTY COMMISSIONERS  
POST OFFICE BOX 607  
POTEAU, OKLAHOMA 74953  
Telephone: 918-647-2527**

**Corrective Action Plan**

**in accordance with 2 CFR § 200.511c**

**for the fiscal year ended June 30, 2016**

<b>Finding No.</b>	<b>Title (Financial) or CFDA No. &amp; Program Name (Federal)</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Responsible Contact Person</b>
2016-001	Inadequate County Wide Controls	Leflore County will implement a system of county wide procedures to address the risks related to financial reporting. And establish more open dialogue among elected officials and department heads. We will discuss in our Budget Board meetings risks related to financial reporting and a system to gauge the performance over time. We are also looking to incorporate OSAI form #500 into our monthly Budget Board meeting.	Effective Beginning 10-01-2016, this was prior to the end of the audit. We were told verbally.	Lance Smith, BOCC Chair
2016-002	Disaster Recovery Plans	Disaster Recovery plans for County Commissioner Districts one, two and three and County Assessor will be updated. And the County Sheriff will prepare a plan.	All listed have updated completed plans as of 1/2018	Lance Smith, BOCC Chair
2016-003	Reconciliation of Appropriation Ledger to General Ledger	The County Clerk's office along with the County Treasurer's office have been reconciling each month the appropriation ledger to the General Ledger. Since the audit period, we are making sure that documentation of this reconciliation is dated, initialed, and attached.	Beginning in 7-2016 after we were told that it needed to be done. This was prior to end of the audit.	Kelli Ford, County Clerk and  April Caughern County Treasurer
2016-004	Inadequate Internal Controls over Information Systems- County Treasurer	County Treasurer is working towards upgrading her computer systems.	Will be effective May 2019	April Caughern, County Treasurer

2016-008	Inadequate Segregation of Duties over the Payroll Process	The Payroll Clerk/Clerks cannot make changes to payroll with the officer's consent & signature. The officer is given a copy of the previous month's payroll claim, if they make a change, they notate and sign. As County Clerk, I also initial changes on the hard copy. Payroll clerk notates on computer. Computer and hard copies are balanced. We print out verified payroll for officers to approve. Once approved, we re-check before payroll is printed to make sure it balances.	Effective beginning September 2018	Kelli Ford, County Clerk
2016-009	Inadequate Internal Controls and Noncompliance Over Purchasing	We follow proper purchasing procedures to the best of our ability, unfortunately we are unable to avoid all purchases being timely encumbered. We had a meeting on November 30, 2016 and invited all requisitioning officers and department heads and went over in detail proper purchasing procedures. Everyone that attended the meeting was given a handout that was presented at the ACCO conference and they signed a form to state they received it. The meeting was also recorded in its entirety and our ADA was present.	After speaking with auditors during the audit, we started this 12/16 before the audit was completed	Kelli Ford, County Clerk
2016-011	Inadequate Internal Controls over the Financial Statements	The majority of the discrepancies were because I had County funds listed under trust and agency and vice versa. I have made the adjustment for the Fiscal year 2018 and the financials and footnotes have been prepared and reviewed by someone other than the preparer. I will continue to do my best to ensure that all disclosures and footnotes are correct.	Effective beginning June 2018	April Caughern, County Treasurer
2016-017	10.665 Schools and Roads-Grants to States	We have implemented internal controls among offices and have assigned a person to prepare the County SEFA and all offices that receive or expend federal monies have been told to report that information to that person.	Began during audit process 10-2016	Lance Smith, BOCC Chairman
2016-018	10.665 Schools and Roads-Grants to States	Leflore County will establish a more open line of communication between offices and will implement internal controls in each office and between offices to ensure compliance with grants.	Began during audit process 10-2016	Lance Smith, BOCC Chairman
2016-019	10.665 Schools and Roads-Grants to States	We will gain an understanding of requirements for federal programs and implement better internal control procedures to ensure compliance with grant requirement.	Began during audit process 10-2016	Lance Smith, BOCC Chairman

2016-020	10.665 Schools and Roads-Grants to States	Leflore County will design policy and procedures to ensure federal funds are being appropriated in accordance with federal compliance requirements.	Began during audit process 10-2016	Lance Smith, BOCC Chairman

**APPENDIX B**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**(Prepared by County Management)**

**DERWIN GIST**  
District # 1 – Spiro  
Shop: 918-962-9471

**LANCE SMITH**  
District # 2 – Poteau  
Shop: 918-647-3600

**CRAIG OLIVE**  
District # 3 - Heavener  
Shop: 918-653-4494

**LEFLORE COUNTY  
BOARD OF COUNTY COMMISSIONERS  
POST OFFICE BOX 607  
POTEAU, OKLAHOMA 74953  
Telephone: 918-647-2527**

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

**FINANCIAL AUDIT FINDINGS**

**Finding 2011-001, 2012-001, 2013-001, 2014-011, 2015-001**

**Inadequate County Wide Controls**

**Finding Summary:** County Wide Controls regarding Risk Management and monitoring have not been designed.

**Status:** No corrective action taken. Leflore County will implement a system of county wide procedures to address the risks related to financial reporting. And establish more open dialogue among elected officials and department heads. We will discuss in our Budget Board meetings risks related to financial reporting and a system to gauge the performance over time. We are also looking to incorporate OSAI form #500 into our monthly Budget Board meeting.

**Finding 2014-002, 2015-002**

**Written Disaster Recovery Plan- County Sheriff**

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

**Status:** No corrective action taken. Management indicated that the County Assessor, District 1, District 2 and District 3 plans will be reviewed and updated. And the County Sheriff needs to complete a plan.

**Finding 2011-003, 2012-003, 2013-003, 2014-003, 2015-003**

**Inadequate Internal Controls Over Information Systems Security- County Treasurer**

**Finding Summary:** 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.

**Status:** No corrective action taken. County Treasurer indicated she is working towards upgrading her information system.

**Finding 2011-008, 2012-008, 2013-008, 2014-007, 2015-006**

**Inadequate Segregation of Duties Over the Payroll Process**

**Finding Summary:**

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

**Status:** Partially corrected. County Clerk indicated that the Payroll Clerk/Clerks cannot make changes to payroll with the officer's consent & signature. The officer is given a copy of the previous month's payroll claim, if they make a change, they notate and sign. As County Clerk, I also initial changes on the hard copy. Payroll clerk notates on computer. Computer and hard copies are balanced. We print out verified payroll for officers to approve. Once approved, we re-check before payroll is printed to make sure it balances.

**Finding 2011-009, 2012-009, 2013-009, 2014-008, 2015-007**

**Inadequate Internal Controls Over the Evidence of Reconciliation of Appropriation Ledger to General Ledger**

**Finding Summary:** There is no documentation of the reconciliation of the County Clerk's appropriation ledger to the County Treasurer's general ledger.

**Status:** Partially Corrected: Management indicated that they have started keeping documentation of their reconciliations.

**Finding 2014-010, 2015-009**

**Inadequate Internal Controls Over Time Keeping**

**Finding Summary:** 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.

**Status:** No corrective action taken. Management is waiting on guidance from district attorney on how to address the issue.

**Finding 2014-018, 2015-019**

**Material Misstatement of The Financial Statement**

**Finding Summary:** 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.

**Status:** Partially corrected. The County Treasurer submitted a financial statement and is doing her best to ensure its accuracy.

**Finding 2014-024, 2015-24**

**Falsified Timesheets**

**Finding Summary:** 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.

**Status:** Corrective Action was taken.

**FEDERAL AUDIT FINDINGS**

**Finding 2015-016**

**Title: Inadequate Internal Controls over the Schedule 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 Lands

**Federal Award Year:** 2015

**Control Category:** All

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

**Finding Summary:** 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.

**Status:** No corrective action taken. Management stated they have implemented internal controls among offices , and have assigned a person to prepare the County SEFA and all offices that receive or expend federal monies have been told to report that information to that person.

**Finding :2015-020 (Initial Year 2011-025)**

**Title: Inadequate County Wide Controls Over Major Programs- Schools and Roads**

**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 Lands

**Federal Award Year:** 2015

**Control Category:** Activities Allowed/Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching and Earmarking;

**Questioned Costs:** \$0

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

**Status:** No corrective action taken. Management stated Leflore County will establish a more open line of communication between offices and will implement internal controls in each office and between offices to ensure compliance with grants.

**Finding: 2015-021 (Initial Year 2007-002)**

**Title Inadequate Internal Controls Over Major Federal Programs – Schools and Roads**

**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 Lands

**Federal Award Year:** 2015

**Control Category:** Activities Allowed/Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching and Earmarking;

**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, and Earmarking.

**Status:** No corrective action taken. We will gain an understanding of requirements for federal programs and implement better internal control procedures to ensure compliance with grant requirements.

**Finding 2015-023**

**Title 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 Lands

**Federal Award Year:** 2015

**Control Category:** Earmarking

**Questioned Costs:** \$10,607

**Finding Summary:** 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.

**Status:** No corrective action taken. Management indicated that they have stopped earmarking an additional 15% do anticipate having this finding in FY18.



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