



MCCLAIN COUNTY

County Audit

For the fiscal year ended June 30, 2016

Cindy Byrd, CPA
State Auditor & Inspector

**McCLAIN 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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April 18, 2019

TO THE CITIZENS OF
McCLAIN COUNTY, OKLAHOMA

Transmitted herewith is the audit of McClain 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



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

Board of County Commissioners

District 1 – Benny McGowen
District 2 – Wilson Lyles
District 3 – Charles “Shorty” Foster

County Assessor

Pam Irwin

County Clerk

Pam Beller

County Sheriff

Don Hewett

County Treasurer

Teresa Jones

Court Clerk

Kristel Gray

District Attorney

Greg Mashburn

McCLAIN COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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FINANCIAL SECTION

Independent Auditor's Report

TO THE OFFICERS OF
McCLAIN 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 McClain 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 McClain County using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of McClain 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 McClain 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 15, 2019, on our consideration of McClain 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 McClain County's internal control over financial reporting and compliance.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

April 15, 2019

REGULATORY BASIS FINANCIAL STATEMENT

McCLAIN COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS
(WITH COMBINING INFORMATION)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Beginning Cash Balances July 1, 2015	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2016
Combining Information:						
County General Fund	\$ 1,238,203	\$ 3,631,107	\$ 600,000	\$ 600,000	\$ 3,397,678	\$ 1,471,632
T-Highway	1,826,886	2,793,115	550,000	100,000	3,240,498	1,829,503
County Health	1,268,154	679,359	-	-	979,888	967,625
Sheriff Service Fee	132,053	519,780	-	-	452,952	198,881
County 1/2 Cent Sales Tax	500	-	-	-	489	11
1% County Sales Tax	296,932	317	-	-	6,763	290,486
2007 1/2 Cent Sales Tax	3,578,629	2,076,640	-	-	1,686,733	3,968,536
Resale Property	464,979	209,920	322,303	300,000	137,597	559,605
CBRI 105	238,298	252,155	-	-	124,585	365,868
County Clerk Preservation Fee	283,167	78,086	200,000	200,000	48,713	312,540
County Clerk Lien Fee	190,063	77,012	-	-	36,199	230,876
Treasurer Mortgage Certification Fee	162,148	8,445	-	-	2,349	168,244
Community Service Sentencing Program	14,944	-	-	-	-	14,944
County Assessor Visual Inspection	42	-	-	-	-	42
Courthouse Building	3,100	-	-	-	-	3,100
County Assessor Fee	18,780	5,883	-	-	2,774	21,889
Saferoom Rebate	8,214	-	-	-	-	8,214
Trash Cop Program	1,349	-	-	-	-	1,349
Sheriff Drug Forfeiture State	12,871	2,493	-	-	11,344	4,020
Sheriff Drug Forfeiture Federal	4,718	328	-	-	1,900	3,146
Domestic Violence	1	-	-	-	-	1
Civil Emergency Management Grant	99	-	-	-	81	18
Free Fair	8,824	2,018	-	-	1,032	9,810
Expo Cash Account	18,603	58,395	-	-	50,102	26,896
Sheriff Drug Restitution	100	-	-	-	-	100
Sheriff Commissary	29,531	38,448	-	-	47,202	20,777
Court Fund Payroll	7,831	155,735	-	-	157,803	5,763
Homeland Security Grant	435	-	-	-	-	435
Hazard Mitigation Fund	800	-	-	-	-	800
Emergency Management Grant	40,606	20,000	-	-	529	60,077
Local Emergency Planning Grant	26,467	-	-	-	1,662	24,805
Development Permits	3,450	-	-	-	-	3,450
Community Center Farm & Home	117,489	62,035	-	-	37,584	141,940
McCART	1,600	-	-	-	-	1,600
McClain/Garvin Drug Court	173,489	66,193	-	-	71,132	168,550
Drug Court Miscellaneous	66,470	75,000	-	-	47,272	94,198
Combined Total - All County Funds, as Restated	\$ 10,239,825	\$ 10,812,464	\$ 1,672,303	\$ 1,200,000	\$ 10,544,861	\$ 10,979,731

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

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

1. Summary of Significant Accounting Policies

A. Reporting Entity

McClain 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:

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

T-Highway – accounts for state, local, and miscellaneous receipts and disbursements are 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.

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

County 1/2 Cent Sales Tax – accounts for the remaining balance of revenue from a sales tax that expired July 1, 2005. Disbursements are to be used for general government purposes, initial implementation of 911 services, law enforcement and trash cop, extension and 4-H services, rural fire protection, senior citizens, and county fair and livestock show.

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

1% County Sales Tax – accounts for the remaining balance of revenue from a sales tax that expired October 31, 1997. Disbursements are to be used for general government purposes and building restoration and construction purposes.

2007 1/2 Cent Sales Tax – accounts for the collection of sales tax revenue. Disbursements are to be used for law enforcement, rural fire protection, emergency management services, extension and 4-H services, senior citizens, economic development, free fair, community center, expo center, and county facilities.

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

CBRI 105 – accounts for monies received from Oklahoma Department of Transportation. Monies are earmarked for bridges, roads, and certain improvements for roads.

County Clerk Preservation Fee – accounts for fees collected for instruments filed in the County Clerk's office and disbursements are for the preservation of records as restricted by state statute.

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

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

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

County Assessor Visual Inspection – accounts for the collection and expenditure of funds by the County Assessor as restricted by state statute for the visual inspection program.

Courthouse Building – accounts for the excess funds from the revenue bonds that were paid off prior to 2000 and disbursed for courthouse improvements.

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

Saferoom Rebate – accounts for grant funds received and disbursed for the purpose of providing rebates for saferooms built within the County.

Trash Cop Program – accounts for grant funds received from the State of Oklahoma for the enforcement of trash and litter laws.

Sheriff Drug Forfeiture State – accounts for the collection of the Sheriff's percentage of drug forfeiture and state grants and disbursed for law enforcement purposes.

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

Sheriff Drug Forfeiture Federal – accounts for the collection of the Sheriff's percentage of drug forfeiture and federal grants and disbursed for law enforcement purposes.

Domestic Violence – accounts for monies received to be used to operate the Domestic Violence Program.

Civil Emergency Management Grant – accounts for grant funds received from the Federal Emergency Management Agency and the disbursement of funds as restricted by the grant agreement.

Free Fair – accounts for the collection of revenue generated from building rent, booth rental, and other fees and disbursements are for the maintenance and operation of the fair park.

Expo Cash Account – accounts for the collection of revenue generated from building rent, stall rental, and other fees and disbursements are for the maintenance and operation of the Expo Center.

Sheriff Drug Restitution – accounts for collections received by court orders for the purpose of drug interdiction.

Sheriff Commissary – accounts for monies transferred from the inmate trust account for commissary items and disbursement of funds for commissary and jail operating expenses.

Court Fund Payroll – accounts for monies transferred from the Court Fund to be used for payroll.

Homeland Security Grant – accounts for grant funds received from the U.S. Department of Homeland Security and the disbursement of funds are used for the Law Enforcement Terrorism Prevention Program.

Hazard Mitigation Fund – accounts for grant funds received from Oklahoma Emergency Management and disbursements are for the development of the County's Hazard Mitigation Plan.

Emergency Management Grant – accounts for grant funds received from Oklahoma Emergency Management and disbursements are for the maintenance and operation of the McClain County Emergency Management Office.

Local Emergency Planning Grant – accounts for the grant funds received from Oklahoma Emergency Management to be used for hazardous materials emergency preparedness training and planning.

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

Development Permits – accounts for fees collected for flood zone permits and fees collected from oil companies for drilling on property within the County. Disbursements are for floodplain travel and maintenance and operation and road repair due to drilling.

Community Center Farm & Home – accounts for rental fees collected and disbursements are for the maintenance of the Community Center.

McCART – (McClain County Animal Response Team) – accounts for donations received to help care for displaced animals during times of disaster.

McClain/Garvin Drug Court – accounts for monies received from the State of Oklahoma and disbursed for the McClain/Garvin Drug Court.

Drug Court Miscellaneous – accounts for donations received to be used for Drug Court operational expenses and incentives.

C. Basis of Accounting

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

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

D. Budget

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

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

and object. To increase or decrease the budget by fund requires approval by the County Excise Board.

E. Cash and Investments

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

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

The County Treasurer has been authorized by the County's governing board to make investments. Allowable investments are outlined in statutes 62 O.S. § 348.1 and § 348.3.

All investments must be backed by the full faith and credit of the United States Government, the Oklahoma State Government, fully collateralized, or fully insured. All investments as classified by state statute are nonnegotiable certificates of deposit. Nonnegotiable certificates of deposit are not subject to interest rate risk or credit risk.

2. Ad Valorem Tax

The County's property tax is levied each October 1 on the assessed value listed as of January 1 of the same year for all real and personal property located in the County, except certain exempt property. Assessed values are established by the County Assessor within the prescribed guidelines established by the Oklahoma Tax Commission and the State Equalization Board. Title 68 O.S. § 2820.A. states, ". . . Each assessor shall thereafter maintain an active and systematic program of visual inspection on a continuous basis and shall establish an inspection schedule which will result in the individual visual inspection of all taxable property within the county at least once each four (4) years."

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

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

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.

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

D. Sales Tax

Effective January 1, 2012, the voters of McClain County approved to extend the existing one-half cent sales tax for a period of eight years to be used for law enforcement (25%), rural fire protection

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

(32%), emergency management services (2%), extension and 4-H services (10%), senior citizens (8%), economic development (7%), free fair (4%), community center, expo center, and county facilities (12%). These funds are accounted for in the 2007 ½ Cent Sales Tax fund.

E. Interfund Transfers

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

- \$100,000, \$300,000, \$200,000 was transferred from T-Highway, Resale Property, and County Clerk Preservation Fee funds, respectively, to the County General Fund to meet requirements of appropriations in accordance with Title 68 O.S. § 3021.
- \$100,000, \$300,000, \$200,000 was transferred from the County General Fund to T-Highway, Resale Property, and County Clerk Preservation Fee funds respectively for the repayment of a loan in accordance with Title 68 O.S. § 3021.
- \$450,000 was transferred from the Emergency Transportation and Revolving (ETR) fund, a trust and agency fund, to the T-Highway fund as a loan for bridge and road projects in the County.
- \$22,303 was transferred from the Excess Resale fund to the Resale Property fund in accordance with Title 68 O.S. § 3131. Excess Resale is a trust and agency fund; therefore, it is not accounted for on the County's financial Statement.

F. Restatement of Fund Balance

During the fiscal year, the County had a reclassification of funds. McClain/Garvin Drug Court fund and the Drug Court Miscellaneous funds were reclassified as county funds.

Prior year ending balance, as reported	\$ 9,999,866
Funds reclassified to County Funds:	
McClain/Garvin Drug Court fund reclassified from a	
Trust and Agency fund to a County Fund	173,489
Drug Court Miscellaneous fund reclassified from a	
Trust and Agency fund to a County Fund	<u>66,470</u>
Prior year ending balance, as restated	\$ <u>10,239,825</u>

OTHER SUPPLEMENTARY INFORMATION

McCLAIN COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 1,238,203	\$ 1,238,203	\$ -
Less: Prior Year Outstanding Warrants	(127,730)	(127,730)	-
Less: Prior Year Encumbrances	(28,819)	(26,263)	2,556
Beginning Cash Balances, Budgetary Basis	1,081,654	1,084,210	2,556
 Total Receipts, Budgetary Basis	 3,204,279	 3,631,107	 426,828
 Total Expenditures, Budgetary Basis	 4,285,933	 3,405,350	 880,583
 Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	 \$ -	 1,309,967	 \$ 1,309,967
 Interfund Transfers:			
Net Interfund Transfers		-	
 Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		574	
Add: Current Year Outstanding Warrants		110,006	
Add: Current Year Encumbrances		51,085	
Ending Cash Balance		\$ 1,471,632	

McCLAIN COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
COUNTY HEALTH DEPARTMENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 1,268,154	\$ 1,268,154	\$ -
Less: Prior Year Outstanding Warrants	(5,835)	(5,835)	-
Less: Prior Year Encumbrances	(127,063)	(105,833)	21,230
Beginning Cash Balances, Budgetary Basis	1,135,256	1,156,486	21,230
 Total Receipts, Budgetary Basis	 617,418	 679,359	 61,941
 Total Expenditures, Budgetary Basis	 1,752,674	 937,064	 815,610
 Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	 \$ -	 898,781	 \$ 898,781
 Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		169	
Add: Current Year Encumbrances		63,664	
Add: Current Year Outstanding Warrants		5,011	
Ending Cash Balance		\$ 967,625	

McCLAIN COUNTY, OKLAHOMA
NOTE TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

1. Budgetary Schedules

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 Statement of Receipts, Disbursements, and Changes in Cash Balances with Combining Information because of adopting certain aspects of the budgetary basis of accounting and the adjusting of encumbrances and outstanding warrants to their related budget year.

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

McCLAIN 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
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed Through Oklahoma Department of Emergency Management:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR-4222	\$ 745,990
Hazard Mitigation Grant	97.039		19,228
Emergency Management Performance Grants	97.042		529
Total U.S. Department of Homeland Security			<u>765,747</u>
Total Expenditures of Federal Awards			<u><u>\$ 765,747</u></u>

The accompanying notes are an integral part of this schedule.

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

Basis of Presentation

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

McClain 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 McClain County in response to Oklahoma Severe Storms, Tornadoes, Straight-line Winds, and Flooding from May 5, 2015 to June 22, 2015. The County incurred \$309,599 in eligible expenditures in the prior fiscal year ending June 30, 2015. The Federal Emergency Management Agency approved all project worksheets for this disaster during and/or after 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 \$309,599 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
McCLAIN COUNTY, OKLAHOMA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined total—all funds of the accompanying Statement of Receipts, Disbursements, and Changes in Cash Balances (with Combining Information) of McClain County, Oklahoma, as of and for the year ended June 30, 2016, and the related notes to the financial statement, which collectively comprises McClain County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated April 15, 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 McClain 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 McClain County's internal control. Accordingly, we do not express an opinion on the effectiveness of McClain County's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses: 2016-001 and 2016-002.



Compliance and Other Matters

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

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

McClain County's Response to Findings

McClain County's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. McClain 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

April 15, 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
McCLAIN COUNTY, OKLAHOMA

Report on Compliance for Each Major Federal Program

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

Opinion on Each Major Federal Program

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



Report on Internal Control Over Compliance

Management of McClain 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 McClain 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 McClain 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 2016-003 and 2016-004, that we consider to be material weaknesses.

McClain County's Response to Findings

McClain 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. McClain County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

April 15, 2019

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

SECTION 1—Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:

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

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

Federal Awards

Internal control over major programs:

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

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

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)

97.036

Name of Federal Program or Cluster

Disaster Grants - Public Assistance
(Presidentially Declared Disasters)

Dollar threshold used to distinguish between

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

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

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

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 Internal Controls Over Purchasing (Repeat Finding – 2003-001, 2004-001, 2005-001, 2006-001, 2012-007, 2013-007)

Condition: Upon inquiry and observation of the County’s purchasing process, the following weaknesses were noted:

- Not all purchasing duties are adequately segregated; the same employee verifies warrant reports for accuracy, prints warrants, and has custody of warrants issued.
- The signatures of the County Clerk and the Board of County Commissioners (BOCC) Chairman that appear on all warrants are facsimile signatures printed by the software system. Neither the County Clerk nor the BOCC Chairman reviews or initials the warrants after they are printed.
- Cash vouchers are printed with the County Clerk’s facsimile signature. The County Clerk does not review or initial the cash vouchers after they are printed.

Cause of Condition: Policies and procedures have not been designed with regard to the purchasing process to ensure adequate internal controls.

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

Recommendation: The Oklahoma State Auditor & Inspector’s Office (OSAI) recommends the following regarding the purchasing process:

- Key accounting functions of the purchasing process should be adequately segregated.
- When facsimile signatures are printed on warrants and/or cash vouchers by the software system, the County Clerk should review and initial the warrants and/or cash vouchers after they are printed and the blank check stock should not be in the custody of any employee who has access to print warrants.

Management Response:

County Clerk:

- Currently the payroll clerk prepares the warrants, then either the insurance coordinator or the purchasing agent verifies (they just do not sign where they verified), from this point forward they will sign the warrant registers to prove verification.
- The warrants will be initialed by either/or the County Clerk and the BOCC Chairman.
- I will start reviewing and initialing the cash vouchers after they are printed.

Criteria: An important aspect of internal control is the safeguarding of assets. Internal controls over safeguarding of assets constitute a process, affected by the entity’s governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or untimely detection of

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

unauthorized acquisition, use, or disposition of the entity's assets and safeguarding assets from loss, damage, or misappropriation.

Finding 2016-002 – Inadequate Internal Controls Over the Payroll Process (Repeat Finding – 2003-001, 2004-001, 2005-001, 2006-001)

Condition: Although the County Clerk has implemented some mitigating controls regarding the County's payroll disbursement process, upon inquiry and observation, the following weaknesses were noted:

- Documentation is not maintained to show that payroll deduction reports are reviewed and approved by someone other than the preparer.
- Payroll claims are not compared to supporting documentation and approved by someone other than the preparer.
- The total amount of payroll noted on the direct deposit report is not being verified to the approved payroll claims/affidavits.

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

Effect of Condition: These conditions could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of funds.

Recommendation: OSAI recommends documentation be maintained to show that payroll deduction reports are reviewed and approved by someone other than the preparer. OSAI also recommends that payroll claims and direct deposit reports be verified by someone other than the preparer.

Management Response:

County Clerk:

- The payroll deduction reports are currently reviewed and approved by someone other than the preparer.
- The payroll claims are currently reviewed and approved by someone other than the preparer.
- The direct deposit report is currently reviewed and approved by someone other than the preparer.

Our office was unaware that we had to sign off on the above reports/payroll claims to document our review. The reports will now be signed by the reviewer from this point forward as of April 4, 2018.

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 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 and supporting documentation such as payroll claims and timesheets should be maintained and signed for review and approval by the appropriate personnel.

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

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 2016-003 – Inadequate County-Wide Controls Over Major Federal Programs - FEMA

PASS-THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: U.S. Department of Homeland Security

CFDA NO: 97.036

FEDERAL PROGRAM NAME: Disaster Grants – Public Assistance (Presidentially Declared Disasters)

FEDERAL AWARD NUMBER: DR-4222

FEDERAL AWARD YEAR: 2016

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

QUESTIONED COSTS: \$-0-

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

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

County Commissioner District 1: McClain County will implement a system of internal controls to ensure compliance with grant requirements.

County Commissioner District 2: McClain County will step up our internal control procedures to adequately comply with all federal regulations.

County Commissioner District 3: We will work towards establishing a system of internal controls and risk assessment regarding federal grants for McClain County.

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

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

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 2016-004 – Inadequate Internal Controls Over Major Federal Programs – FEMA

PASS-THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: U.S. Department of Homeland Security

CFDA NO: 97.036

FEDERAL PROGRAM NAME: Disaster Grants - Public Assistance (Presidentially Declared Disasters)

FEDERAL AWARD NUMBER: DR-4222

FEDERAL AWARD YEAR: 2016

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

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

QUESTIONED COSTS: \$-0-

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

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 this program and implement internal control procedures to ensure compliance with requirements.

Management Response:

County Commissioner District 1: McClain County will gain an understanding of requirements for this program and implement internal control procedures to ensure compliance with requirements.

County Commissioner District 2: McClain County will work to set up internal controls and comply with federal standards and continue to document as such on all federal and local projects.

County Commissioner District 3: We will recommend having monthly or quarterly meetings with McClain County officials to gain an understanding of internal control procedures to ensure compliance with requirements of federal expenditures.

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

The non-Federal entity must:

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

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.

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

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 2016-005 – Inadequate Segregation of Duties – Court Clerk (Repeat Finding – 2012-008, 2013-008)

Condition: Upon inquiry of the Court Clerk, the Court Clerk employees, and observation, we noted the following weaknesses with regard to segregation of duties related to the receipting process of the Court Clerk and the expenditure process over the Court Fund and the District Court Fund held in the official depository.

Receipting:

- One employee issues receipts, balances the cash drawer, prepares deposits, and takes the deposits to the County Treasurer.
- A mail log is not maintained.

Expenditures:

Court Fund:

- One employee prepares claims, verifies the claim for accuracy, prints vouchers, signs vouchers, takes vouchers to be registered with the County Treasurer, distributes vouchers, reconciles reports with the County Treasurer, and prepares the Quarterly Reports.

District Court Fund:

- One employee balances and processes the report that lists the amount of fees that go to each entity, prints and signs vouchers distributing these fees, takes vouchers to the County Treasurer’s office to be registered, and mails vouchers to the entities.

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

Effect of Condition: A single person having responsibility for more than one area of recording, authorization, custody of assets, and execution of transactions could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner.

Recommendation: OSAI recommends that procedures be developed to separate key functions of the receipting process and of the expenditure process over District Court and Court Fund. In the event that a segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risk involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office, and having management review and approve accounting functions.

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

Management Response:

Court Clerk:

Receipting –

- I have two (2) deputies that now do the daily deposit. When one is not in office the other one does the daily deposit. I will have another deputy that will check and initial the deposit daily. I will also have another person take the deposit to the Treasurer. All of my deputies and myself do receipts daily in this office.
- We do not have adequate staff to maintain a mail log.

Expenditures –

- When the previous Court Clerk retired, I was not allowed to hire any additional staff. At this time, we are not being given adequate funding to hire additional staff to segregate these duties.

Auditor Response: Compensating controls have not been implemented to mitigate the risk involved with a concentration of duties or by not maintaining a mail log. Compensating controls would include separating key processes and/or critical functions of the office and having management review and approve accounting functions and maintaining a mail log.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, key duties and responsibilities should be segregated among different individuals to reduce the risk of error or fraud. No one individual should have the ability to authorize transactions, have physical custody of assets, and record transactions.

Finding 2016-006 – Inadequate Internal Controls Over the Inmate Trust Fund Checking Account (Repeat Finding – 2012-009, 2013-009)

Condition: Regarding the Inmate Trust Fund Checking Account, the following weaknesses were noted:

- One employee prepares deposits, takes deposits to the bank, maintains accounts and performs bank reconciliations. This same employee, on occasion, issues receipts.
- The Inmate Trust Fund Checking Account balance is not reconciled to the total of the individual inmates' ledger balance.

Cause of Condition: Policies and procedures have not been designed and implemented regarding the Inmate Trust Fund Checking Account.

Effect of Condition: Without proper accounting and safeguarding of the Inmate Trust Fund Checking Account, there is an increased risk of misappropriation of funds.

Recommendation: OSAI recommends the following:

- Key duties and responsibilities should be segregated among different individuals to reduce the risk of error or fraud. No one individual should have the ability to authorize transactions, have physical custody of assets, and record transactions.

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

- Inmate Trust Fund Checking Account monies should be maintained in a manner that reflects each inmate's trust deposits, disbursements, and account balances. The inmates' trust fund ledger balance should be reconciled to the bank statements each month.

Management Response:
County Sheriff:

- Key responsibilities will be divided among different individuals. The Undersheriff will oversee the person or persons who will receipt inmate money, count inmate money, make bank deposits and record inmate transactions. All will be initialed; the daily Inmate Trust Fund Checking Account deposit will be checked and initialed by the Undersheriff before it is made. On return from the bank, the Undersheriff will initial the bank deposit slip, making sure all amounts match.
- The bank statement, the Inmates' Trust Fund Ledger report, and the Computer Reconciliation will be done monthly, signed off on by one individual and checked and signed off on by the Undersheriff monthly.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, key duties and responsibilities should be segregated among different individuals to reduce the risk of error or fraud. No one individual should have the ability to authorize transactions, have physical custody of assets, and record transactions.

Finding 2016-007 – Inadequate Internal Controls and Noncompliance Over Fixed Assets (Repeat Finding – 2012-011, 2013-010)

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

- The following offices did not perform and document an annual physical review of fixed assets: Court Clerk, County Sheriff, OSU Extension, and fire departments in Blanchard, Payne, Cole, Dibble, Goldsby, Newcastle, and Purcell.
- Fixed asset records filed in the County Clerk's office are not up to date for the fire departments in Byars, Cole, Dibble, and Newcastle.

Cause of Condition: Policies and procedures have not been designed to ensure compliance with the state statutes regarding maintaining fixed assets.

Effect of Condition: These conditions resulted in noncompliance with state statutes. When fixed assets are not monitored, opportunities for misuse or loss of equipment can occur.

Recommendation: OSAI recommends the County implement internal controls to ensure compliance with 19 O.S. § 178.1 and 19 O.S. § 178.2 by performing and documenting an annual inventory of fixed assets. Documentation of annual inventory verification should be retained and filed with the County Clerk.

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

Management Response:

Chairman, Board of County Commissioners: I will notify the Emergency Manager, who attends all of the monthly Fire Chief meetings, that they need to perform and document an annual physical review of fixed assets and file the review with the County Clerk.

Court Clerk: This issue has been corrected as of August 30, 2017.

County Sheriff: At the beginning of the fiscal year, two people designated by the Sheriff will conduct a physical review of the recordkeeping process, with one conducting the initial review and the other taking a physical inventory and putting it on a list. The work will be checked by the Undersheriff. Verification will be filed with the County Clerk.

OSU Extension: The annual county inventory verification has been added to our list of end of fiscal year reports. We will request an inventory list from the County Clerk by June 1st and check, verify, and reconcile by June 30th.

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

APPENDIX A

CORRECTIVE ACTION PLAN

(Prepared by County Management)

**-Glen Murray, District 1-
405-449-3355**

**-Wilson Lyles, District 2-
405-527-2040**

**-Terry Daniel, District 3-
405-485-3388**

BOARD OF COUNTY COMMISSIONERS

-McCLAIN COUNTY-

PO Box 629, Purcell Oklahoma, 73080

McClain County

Corrective Action Plan in accordance with 2 CFR 200.511c

For the fiscal year ended June 30, 2016

Item #	Internal Control Deficiency	Planned Corrective Action	Anticipated Completion Date	Responsible Official
2016-001	Inadequate Internal Controls Over Purchasing	We have made it our goal to achieve a fair and equal segregation of duties, so one deputy or official will not be totally responsible for several duties. Management will continue to oversee each operation of the office, to help segregate the duties within the purchasing area.	7-1-18	Wilson Lyles, BOCC Chair
2016-002	Inadequate Internal Controls Over the Payroll Process	We have made it our goal to achieve a fair and equal segregation of duties, so one deputy or official will not be totally responsible for several duties. Management will continue to oversee each operation of the office, to help segregate the duties within the payroll area.	7-1-18	Wilson Lyles, BOCC Chair
2016-003	97.036 Disaster Grants-Public Assistance (Presidentially Declared Disasters)	The Board of County Commissioners will work to implement a risk assessment plan. We will implement controls to help ensure we comply with all grant requirements and that federal funds are expended in accordance with grant agreements.	7-1-18	Wilson Lyles, BOCC Chair
2016-004	97.036 Disaster Grants-Public Assistance (Presidentially Declared Disasters)	The Board of County Commissioners will work with all County Officials to go over all grants and federal awards that McClain County receives to ensure that proper internal controls are implemented.	7-1-18	Wilson Lyles, BOCC Chair

APPENDIX B

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

(Prepared by County Management)

-Glen Murray, District 1- -Wilson Lyles, District 2- -Terry Daniel, District 3-
405-449-3355 405-527-2040 405-485-3388

BOARD OF COUNTY COMMISSIONERS

-McCLAIN COUNTY-

PO Box 629, Purcell Oklahoma, 73080

**Schedule of Prior Year Findings and Questioned Costs
in accordance with 2 CFR 200.511c
For the fiscal year ended June 30, 2016**

FINANCIAL AUDIT FINDINGS

Finding 2003-001, 2004-001, 2005-001, 2006-001, 2012-007, 2013-007

Segregation of Duties

Finding Summary: The limited number of office personnel within several County offices prevents a proper segregation of accounting functions, which is necessary to assure adequate internal control structure.

Status: No corrective action taken. This finding has been reoccurring as we work on how to properly segregate the duties over County purchasing.



Cindy Byrd, CPA | State Auditor & Inspector

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