



# MCCLAIN COUNTY

## County Audit

For the fiscal year ended June 30, 2017

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

**McCLAIN COUNTY, OKLAHOMA  
FINANCIAL STATEMENT  
AND INDEPENDENT AUDITOR'S REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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Cindy Byrd, CPA | State Auditor & Inspector

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April 22, 2019

TO THE CITIZENS OF  
McCLAIN COUNTY, OKLAHOMA

Transmitted herewith is the audit of McClain County, Oklahoma for the fiscal year ended June 30, 2017. 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".

CINDY BYRD, CPA  
OKLAHOMA STATE AUDITOR & INSPECTOR



**McCLAIN COUNTY OFFICIALS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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**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, 2017**

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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, 2017, 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, 2017, 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, 2017, 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 other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and are not a required part of the financial statement.

The other 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 other 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, 2017**

	Beginning Cash Balances July 1, 2016	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2017
Combining Information:				
County General Fund	\$ 1,471,632	\$ 3,761,064	\$ 3,611,275	\$ 1,621,421
T-Highway	1,829,503	3,403,933	3,134,109	2,099,327
County Health	967,625	709,011	612,249	1,064,387
Sheriff Service Fee	198,881	653,380	565,910	286,351
County 1/2 Cent Sales Tax	11	-	11	-
1% County Sales Tax	290,486	484	175,605	115,365
2007 1/2 Cent Sales Tax	3,968,536	2,123,281	1,769,215	4,322,602
CBRI 105	365,868	125,357	103,675	387,550
Resale Property	559,605	208,189	135,264	632,530
County Clerk Lien Fee	230,876	139,373	28,978	341,271
Treasurer Mortgage Certification Fee	168,244	9,685	2,254	175,675
Community Service Sentencing Program	14,944	-	-	14,944
County Assessor Visual Inspection	42	-	40	2
Courthouse Building	3,100	-	-	3,100
County Assessor Fee	21,889	7,639	18,702	10,826
Saferoom Rebate	8,214	-	-	8,214
Trash Cop Program	1,349	-	-	1,349
Sheriff Drug Forfeiture State	4,020	-	150	3,870
Sheriff Drug Forfeiture Federal	3,146	914	777	3,283
Domestic Violence	1	-	-	1
County Clerk Preservation Fee	312,540	93,450	17,194	388,796
Civil Emergency Management Grant	18	-	-	18
Free Fair	9,810	1,080	3,178	7,712
Expo Cash Account	26,896	50,005	56,155	20,746
Sheriff Drug Restitution	100	-	-	100
Sheriff Commissary	20,777	51,676	49,845	22,608
Court Fund Payroll	5,763	133,848	133,327	6,284
Homeland Security Grant	435	-	-	435
Hazard Mitigation Fund	800	-	-	800
Emergency Management Grant	60,077	15,000	13,850	61,227
Local Emergency Planning Grant	24,805	6,549	3,980	27,374
Development Permits	3,450	-	-	3,450
Community Center Farm & Home	141,940	61,560	47,165	156,335
McCART	1,600	-	-	1,600
McClain/Garvin Drug Court	168,550	57,415	80,690	145,275
Drug Court Miscellaneous	94,198	75,000	26,899	142,299
Courthouse Improvements	-	127,000	127,000	-
<b>Combined Total - All County Funds</b>	<b>\$ 10,979,731</b>	<b>\$ 11,814,893</b>	<b>\$ 10,717,497</b>	<b>\$ 12,077,127</b>

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, 2017**

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**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, 2017**

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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.

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

Resale Property – accounts for collection of interest and penalties on delinquent taxes and the disposition of same 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 all 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 Sheriffs percentage of drug forfeiture and state grants and disbursed for law enforcement purposes.

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

**McCLAIN COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

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.

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, 2017**

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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.

Courthouse Improvements – accounts for monies received from the Continental Gateway Authority to be used for Courthouse re-roofing and weatherproofing improvements.

**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

**McCLAIN COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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approved for the respective fund by office, or department and object. The County Board of Commissioners may approve changes of appropriations within the fund by office or department and object. To increase or decrease the budget by fund requires approval by the County Excise Board.

**E. Cash and Investments**

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

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



**McCLAIN COUNTY, OKLAHOMA**  
**NOTES TO THE FINANCIAL STATEMENT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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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.

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.

**McCLAIN COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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**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 (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.

**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, 2017**

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 1,471,632	\$ 1,471,632	\$ -
Less: Prior Year Outstanding Warrants	(110,006)	(110,006)	-
Less: Prior Year Encumbrances	(51,085)	(47,678)	3,407
Beginning Cash Balances, Budgetary Basis	<u>1,310,541</u>	<u>1,313,948</u>	<u>3,407</u>
Total Receipts, Budgetary Basis	<u>3,344,660</u>	<u>3,761,064</u>	<u>416,404</u>
Total Expenditures, Budgetary Basis	<u>4,655,201</u>	<u>3,615,672</u>	<u>1,039,529</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	1,459,340	<u>\$ 1,459,340</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		626	
Add: Current Year Outstanding Warrants		118,023	
Add: Current Year Encumbrances		43,432	
Ending Cash Balance		<u>\$ 1,621,421</u>	

**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, 2017**

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	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 967,625	\$ 967,625	\$ -
Less: Prior Year Outstanding Warrants	(5,011)	(5,011)	-
Less: Prior Year Encumbrances	(63,664)	(41,423)	22,241
Beginning Cash Balances, Budgetary Basis	898,950	921,191	22,241
Total Receipts, Budgetary Basis	654,396	709,011	54,615
Total Expenditures, Budgetary Basis	1,553,346	632,757	920,589
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	997,445	\$ 997,445
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		98	
Add: Current Year Encumbrances		38,577	
Add: Current Year Outstanding Warrants		28,267	
Ending Cash Balance		\$ 1,064,387	

**McCLAIN COUNTY, OKLAHOMA**  
**NOTES TO OTHER SUPPLEMENTARY INFORMATION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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**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.

**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, 2017, 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, 2017, 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 responses that we consider to be material weaknesses: 2017-001 and 2017-002.

### **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 2 of the schedule of findings and responses 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 responses. 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

**McCLAIN COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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**SECTION 1—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 2017-001 – Inadequate Internal Controls Over Purchasing (Repeat Finding – 2003-001, 2004-001, 2005-001, 2006-001, 2012-007, 2013-007, 2016-001)**

**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

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personnel, designed to provide reasonable assurance regarding prevention or untimely detection of unauthorized acquisition, use, or disposition of the entity's assets and safeguarding assets from loss, damage, or misappropriation.

**Finding 2017-002 – Inadequate Internal Controls Over the Payroll Process (Repeat Finding – 2003-001, 2004-001, 2005-001, 2006-001, 2016-002)**

**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

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

**SECTION 2—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 2017-003 – Inadequate Internal Controls Over the Schedule of Expenditures of Federal Awards**

**Condition:** The County has not designed and implemented formal internal controls for the reporting of its federal programs as required by 2 CFR § 200.

During our review and reconciliation of the Schedule of Expenditures of Federal Awards (SEFA), as initially prepared by McClain County, we noted the following:

- Expenditures for the Edward Byrne Memorial Justice Assistance Grant CFDA # 16.738 were not reported. Actual expenditures were \$9,551. The County understated the expenditures for CFDA # 16.738 by \$9,551.
- The actual expenditures for the Disaster Grants - Public Assistance (Presidentially Declared Disasters) CFDA # 97.036 were \$263,543 and the County reported \$125,546. The County understated the expenditures for CFDA # 97.036 by \$137,997.
- The actual expenditures for the Emergency Management Performance Grant CFDA # 97.042 were \$14,248 and the County reported \$13,850. The County understated the expenditures for CFDA # 97.042 by \$398.

Reported Total Expenditures of Federal Awards	\$ 140,216
Add: Edward Byrne Memorial Justice Assistance Grant CFDA # 16.738	9,551
Add: Disaster Grants - Public Assistance (Presidentially Declared Disasters) CFDA # 97.036	137,997
Add: Emergency Management Performance Grant CFDA # 97.042	398
Actual Federal Expenditures of Federal Awards	\$ 288,162
Original SEFA Understated by	\$ 147,946

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

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**Effect of Condition:** This condition resulted in inaccuracy in the recording of federal expenditures on the SEFA.

**Recommendation:** OSAI recommends McClain County establish policies for handling all federal grants awarded to the County. These policies should incorporate, by reference, applicable federal regulations to be followed, as well as the appropriate policy for the application, receipt, and expenditure of federal funds. OSAI also recommends that amounts reported on the SEFA be reconciled to accounting records.

**Management Response:**

**Chairman, Board of County Commissioners:** McClain County will establish a policy for handling federal grants awarded to the County as to the application, receipt, and expenditure of federal funds. The amounts reported on the SEFA will be reconciled to accounting records.

**County Clerk:** As County Clerk, I have contacted each of these offices that reported incorrect expenditures and let them know how important it is to report accurate expenditures. I have asked each of these offices (officials and personnel preparing information for the SEFA) that in the future when someone prepares the information for the SEFA, other personnel with awareness of those grants needs to review it for accuracy in order to maintain a more effective internal control.

**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).

*2 CFR § 200.508(b) Auditee responsibilities* reads as follows:

The auditee must:

Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with §200.510 Financial statements.

*2 CFR § 200.510(b) Financial statements* reads, in part, as follows:

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

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

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**Finding 2017-004 – Inadequate Segregation of Duties – Court Clerk (Repeat Finding – 2012-008, 2013-008, 2016-005)**

**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.

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**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 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 2017-005 – Inadequate Internal Controls and Noncompliance Over the Inmate Trust Fund Checking Account and Sheriff Commissary Fund (Repeat Finding – 2012-009, 2013-009, 2016-006)**

**Condition:** Regarding the Inmate Trust Fund Checking Account and Sheriff Commissary Fund, 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.
- The County Sheriff's office did not file an annual report for the Commissary Fund with the Board of County Commissioners by January 15<sup>th</sup>.

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

**Effect of Condition:** These conditions resulted in noncompliance with state statute. Also, without proper accounting and safeguarding of the Inmate Trust Fund Checking Account, there is an increased risk of misappropriation of funds.

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**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.
- 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.
- The County Sheriff should file a report of the Commissary with the Board of County Commissioners by January 15<sup>th</sup>, of each year in accordance with 19 O.S. § 180.43.

**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.
- An annual commissary report will be filed with the Board of Commissioners by January 15th of each year.

**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. In addition, bank reconciliations should be properly performed each month.

Title 19 O.S. § 180.43 D. states in part, "The sheriff shall file an annual report on any said commissary under his or her operation no later than January 15 of each year."

**Finding 2017-006 – Inadequate Internal controls and Noncompliance over Fixed Assets and Consumable Inventories (Repeat Finding – 2012-011, 2013-010, 2016-007)**

**Condition:** While gaining an understanding of internal controls by inquiry of County personnel, observation, and review of documents, and performing testwork, regarding fixed assets and consumable inventories, the following was noted:



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- The following offices did not perform and document an annual physical review of fixed assets: County Sheriff, OSU Extension, and fire departments in Blanchard, Wayne, Payne, Byars, Cole, Dibble, Newcastle, Purcell, Washington.
- 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.

Fuel tanks were measured at each county barn and compared to the balance recorded on fuel logs. The following variances were noted:

District	Type of Fuel	Actual Fuel on Hand	Amount per Fuel Log	Variance
2	Gasoline	1,188	1,076.9	111.1
2	Diesel	3,723.7	3,915.6	< 191.9 >
3	Diesel	5,824	5,950.9	< 126.9 >

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

**Effect of Condition:** These conditions resulted in noncompliance with state statutes and could result in unrecorded transactions, misappropriation of assets, unauthorized use of consumable inventories, or loss of consumable inventories.

**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.

OSAI also recommends management design and implement internal controls to ensure compliance with 19 O.S. § 1504A, which includes reconciling fuel logs periodically to fuel on hand and explain any variance or adjustments.

**Management Response:**

**Chairman, Board of County Commissioners (District 3):** I will notify our Emergency Manager to go to the next Fire Chief monthly meeting and explain that they need to update their fixed assets and perform and document an annual review of fixed assets and file it with the County Clerk.

The variances on our fuel tanks were probably due to not being stuck properly. We will be implementing internal controls to ensure compliance.

**County Commissioner District 2:** These variances could be from sticking the tank improperly. McClain County will continue to monitor the fuel consumption very carefully.

**County Sheriff:** At the beginning of the fiscal year, two people designated by the Sheriff will conduct a physical review of the fixed assets, with one conducting the initial review and the other taking a physical

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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 1<sup>st</sup> of each year and complete the verification by June 30<sup>th</sup>.

**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.

Additionally, effective internal controls include management design procedures to ensure that all supplies, materials, and equipment received, disbursed, stored and consumed by their department comply with 19 O.S. § 1504A.

O·K·L·A·H·O·M·A  
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