

COUNTY AUDIT

MCCURTAIN COUNTY

For the fiscal year ended June 30, 2009



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



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

**McCURTAIN COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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Oklahoma State Auditor & Inspector

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June 13, 2011

TO THE CITIZENS OF
McCURTAIN COUNTY, OKLAHOMA

Transmitted herewith is the audit of McCurtain County, Oklahoma for the fiscal year ended June 30, 2009. A report of this type is critical in nature; however, we do not intend to imply that our audit failed to disclose commendable features in the present accounting and operating procedures of the County.

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

The Office of the State Auditor and Inspector is committed to serving the public interest by providing independent oversight and by issuing reports that serve as a management tool to the State to ensure a government which is accountable to the people of the State of Oklahoma.

Sincerely,

A handwritten signature in blue ink that reads "Gary A. Jones".

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

**McCURTAIN COUNTY, OKLAHOMA
FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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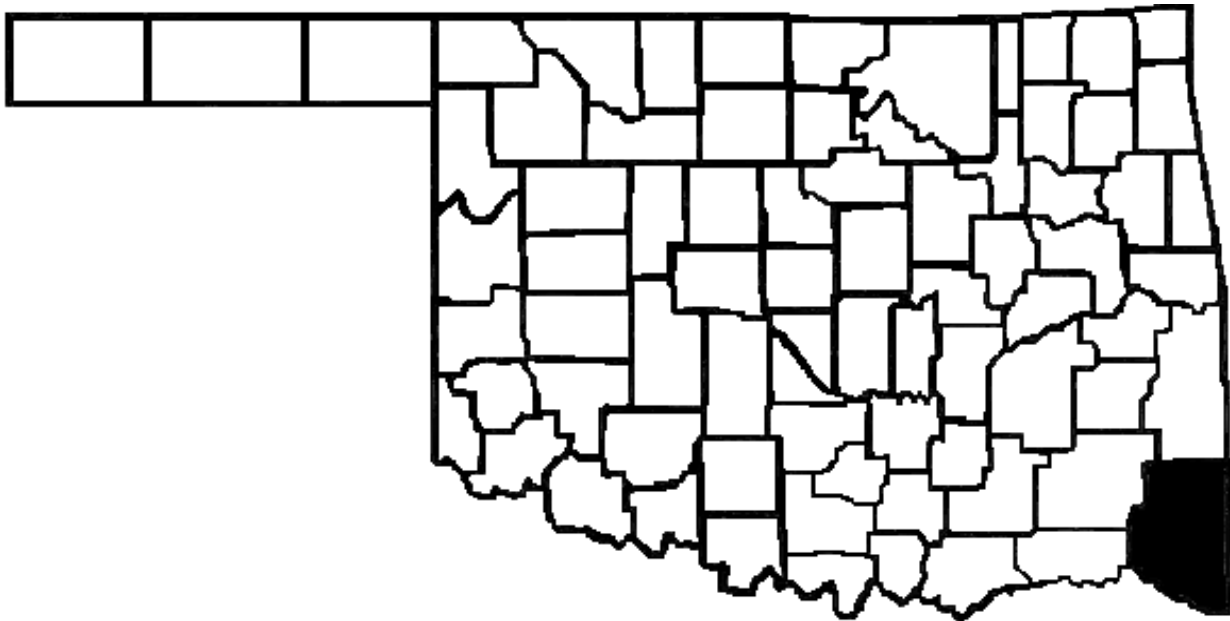
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**McCURTAIN COUNTY, OKLAHOMA
FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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**REPORT TO THE CITIZENS
OF
McCURTAIN COUNTY, OKLAHOMA**



The topography of McCurtain County, in the southeastern corner of Oklahoma, varies from the rugged foothills of the Ouachita Mountains in the north to the fertile coastal plain in the south. The county has a unique heritage ranging from the Caddoan mound builders to the first white settlements in the early nineteenth century, including seventy-five years of Choctaw sovereignty, and finally statehood.

The county name is that of a prominent Choctaw family, several of whose members served as chiefs. The Choctaw period left such historic sites as the Wheelock Mission Church and Academy. The Dierks family developed large holdings beginning before the turn of the century, and sold the land to Weyerhaeuser Company in 1969.

Weyerhaeuser is the largest employer and has a paper mill in Valliant and a sawmill in Wright City. Other major employers are Tyson Foods, Inc., a poultry processing plant; Georgia-Pacific, a sawmill; SETCO, a company that builds tires for heavy equipment and ships worldwide. Tourism is also a major industry with Beavers Bend State Resort, Museum of the Red River, hunting, fishing, and historic sites.

For more information, call the county clerk's office at (580) 286-2370.

County Seat – Idabel

Area – 1,901.32 Square Miles

County Population – 33,539
(2007 est.)

Farms – 1,796

Land in Farms – 339,615 Acres

Primary Source: Oklahoma Almanac 2009-2010

See independent auditor's report.

**McCURTAIN COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

COUNTY ASSESSOR
Stan Lyles

The County Assessor has the responsibility to appraise and assess the real and personal property within the county for the purpose of ad valorem taxation. Also, the County Assessor is required to compute the ad valorem taxes due on all taxable property. The County Assessor appraises all the taxable real and personal property according to its fair cash value for which the property is actually being used as of January 1 of the taxable year at the percentages provided for in Article 10, § 8 of the Oklahoma Constitution.

The County Assessor is required to build and maintain permanent records of the taxable real property and tax exempt real property within the county. Information entered on each record includes the property's legal description, owner's name and address, and the homestead exemption status of the owner.

COUNTY CLERK
Karen Conaway

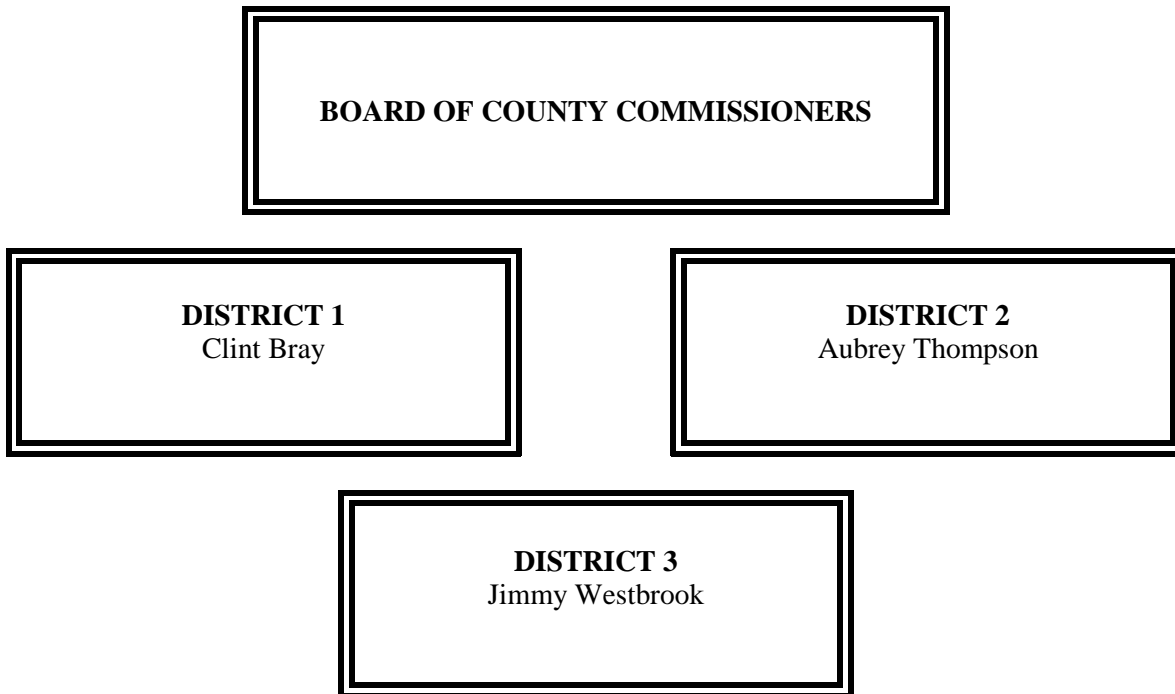
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

The County Clerk reviews all the claims for payment of goods and services purchased or contracted by the county, and prepares the proper warrants for payment of those goods and services and the county payroll. The County Clerk, or his or her designated deputy, serves as the purchasing agent for the county. This system is a means to ensure the public that tax dollars are being spent appropriately.

Various records within the different county offices are classified as "open records." As such, they can be reviewed and mechanically copied by the public.

See independent auditor's report.

**McCURTAIN COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**



The Board of County Commissioners is the chief administrative body for the county. County Commissioners are also responsible for maintaining and constructing the county roads and bridges.

The Commissioners must act as a Board when entering into contracts or other agreements affecting the county's welfare. Thus, actions taken by the Board are voted on and approved by a majority of the Commissioners. The Board of County Commissioners' business meetings are open to the public.

As the county's chief administrative body, the three County Commissioners must make major financial decisions and transactions. The Board has the official duty to ensure the fiscal responsibility of the other county officers who handle county funds. The review and approval procedures empowered to the Board of County Commissioners are a means to provide the public with a fiscally efficient system of county government.

See independent auditor's report.

**McCURTAIN COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

COUNTY SHERIFF
Johnny Tadlock

The County Sheriff is responsible for preserving the peace and protecting life and property within the county's jurisdiction. As the county's chief law enforcement officer, the Sheriff has the power and authority to suppress all unlawful disturbances, to apprehend and secure persons charged with felony or breach of peace, and to operate the county jail.

The County Sheriff has the responsibility of serving warrants and processing papers ordered by the District Court.

COUNTY TREASURER
JoAnn Strawn

All collections by county government from ad valorem taxes and other sources are deposited with the County Treasurer. The County Treasurer collects ad valorem taxes for the county and its political subdivisions. The County Treasurer is authorized to issue delinquent personal property tax warrants and to impose tax liens on real property for delinquent taxes.

To account for county collections and disbursements, the County Treasurer is required to maintain an accurate record of all the monies received and disbursed.

See independent auditor's report.

**McCURTAIN COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

COURT CLERK
Vicki Justus

The Court Clerk has the primary responsibility to record, file, and maintain as permanent records the proceedings of the District Court.

Court proceedings are recorded in the appropriate journal or record docket. All the court proceedings are public information except those related to juvenile, guardianship, adoption, and mental health cases.

The Court Clerk issues marriage licenses, passports, notary certificates, beer and pool hall licenses, and private process server licenses.

Monies from the court fund are identified for distribution by the Court Clerk to the appropriate units of county and state government.

DISTRICT ATTORNEY
Laura Ross Wallis

As the chief attorney for county government, the District Attorney acts as the legal advisor to the county officers on matters related to their duties. The District Attorney represents the county in civil litigation. County officials may call upon the District Attorney to clarify a law or request an official interpretation from the Attorney General.

See independent auditor's report.

**McCURTAIN COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

ELECTION BOARD SECRETARY
Lue Davis

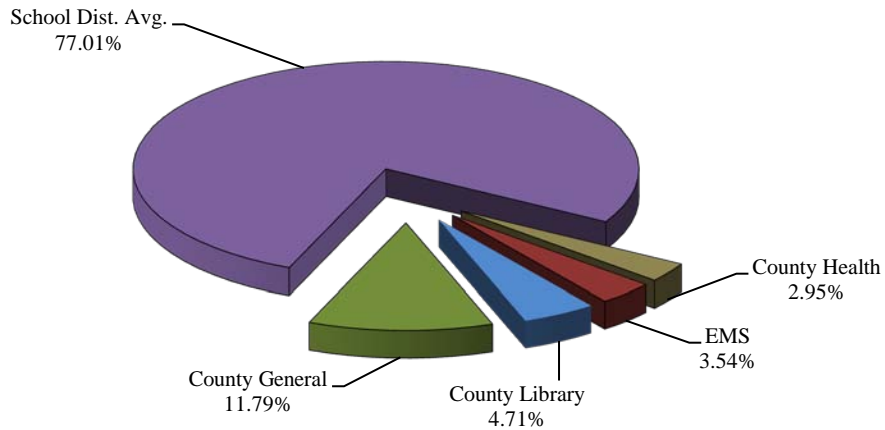
The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the county. The Board also conducts all elections held within the county.

To finance the operation of the County Election Board, the County Excise Board must appropriate sufficient funds annually. The state and counties split the election costs, but counties must pay for any county elections not held concurrently with state elections.

See independent auditor's report.

**McCURTAIN COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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



County-Wide Millages		School District Millages								
				Gen.	Bldg.	Skg.	Career Tech	Career Tech Bldg.	Common	Total
County General	10.00			35.00	5.00		10.00	2.00	4.00	56.00
County Health	2.50	Forest Grove	C-1	35.00	5.00	24.15	10.00	2.00	4.00	80.15
EMS	3.00	Idabel	I-5	35.00	5.00	11.98	10.00	2.00	4.00	67.98
County Library	4.00	Haworth	I-6	35.00	5.00	9.66	10.00	2.00	4.00	65.66
		Lukfata	C-9	35.00	5.00		10.00	2.00	4.00	56.00
		Valliant	I-11	35.00	5.00	16.19	10.00	2.00	4.00	72.19
		Eagletown	I-13	35.00	5.00	10.81	10.00	2.00	4.00	66.81
		Smithville	I-14	35.00	5.00	15.15	10.00	2.00	4.00	71.15
		Glover	C-23	35.00	5.00		10.00	2.00	4.00	56.00
		Denison	C-37	35.00	5.00		10.00	2.00	4.00	56.00
		Wright City	I-39	35.00	5.00		10.00	2.00	4.00	56.00
		Watson	C-56	35.00	5.00	11.34	10.00	2.00	4.00	67.34
		Battiest	I-71	35.00	5.00		10.00	2.00	4.00	56.00
		Holly Creek	C-72	35.00	5.00	18.12	10.00	2.00	4.00	74.12
		Broken Bow	I-74	35.00	5.00	13.30	10.00	2.00	4.00	69.30

See independent auditor's report.

**McCURTAIN COUNTY, OKLAHOMA
COMPUTATION OF LEGAL DEBT MARGIN
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)**

Total net assessed value as of January 1, 2008		<u>\$ 169,423,055</u>
Debt limit - 5% of total assessed value		8,471,153
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	<u>16</u>	<u>-</u>
Legal debt margin		<u>\$ 8,471,153</u>

See independent auditor's report.

**McCURTAIN COUNTY, OKLAHOMA
RATIO OF NET GENERAL BONDED DEBT TO ASSESSED
VALUE AND NET BONDED DEBT PER CAPITA
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)**

	2009
Estimated population	33,539
Net assessed value as of January 1, 2008	\$ 169,423,055
Gross bonded debt	-
Less available sinking fund cash balance	16
Net bonded debt	\$ -
Ratio of net bonded debt to assessed value	0.00%
Net bonded debt per capita	\$ -

See independent auditor's report.

**McCURTAIN COUNTY, OKLAHOMA
 ASSESSED VALUE OF PROPERTY
 FOR THE FISCAL YEAR ENDED JUNE 30, 2009
 (UNAUDITED)**

Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2008	\$62,020,589	\$24,401,719	\$91,438,089	\$8,437,342	\$169,423,055	\$1,505,995,796

See independent auditor's report.

FINANCIAL SECTION



Oklahoma State Auditor & Inspector

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

Independent Auditor's Report

TO THE OFFICERS OF
McCURTAIN COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of McCurtain County, Oklahoma, as of and for the year ended June 30, 2009, listed in the table of contents as the basic financial statement. This financial statement is the responsibility of McCurtain County's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, this financial statement was prepared using accounting practices prescribed or permitted by Oklahoma state law, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of McCurtain County as of June 30, 2009, or changes in its financial position for the year then ended.

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 of McCurtain County, for the year ended June 30, 2009, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2011, on our consideration of McCurtain County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal

control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the combined total of all funds within the basic financial statement taken as a whole. The combining information is presented for purposes of additional analysis rather than to present the receipts, disbursements, and cash balances of the individual funds. Also, the other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis, and is not a required part of the basic financial statement. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statement. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statement taken as a whole. The information listed in the table of contents under Introductory Section has not been audited by us, and accordingly, we express no opinion on it.

A handwritten signature in blue ink, appearing to read "Gary A. Jones". The signature is fluid and cursive, with a long horizontal stroke at the end.

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

June 13, 2011

Basic Financial Statement

McCURTAIN COUNTY, OKLAHOMA
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
(WITH COMBINING INFORMATION)
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Beginning Cash Balances July 1, 2008	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2009
Combining Information:						
County General Fund	\$ 184,356	\$ 2,422,279	\$ 138,500	\$	\$ 2,491,065	\$ 254,070
Highway Cash	446,585	4,402,145	41,430	13,366	4,270,638	606,156
County Health Department	309,283	556,617			463,965	401,935
Resale Property	107,126	82,129			72,453	116,802
Treasurer Mortgage Tax Certification Fee	32,036	8,045			33,065	7,016
County Clerk Lien Fee (F-4)	922	8,249			3,530	5,641
Assessor's Revolving (H-4)	3,787	6,094			8,431	1,450
Assessor Visual Inspection	369					369
Sheriff Service Fee	98,816	362,600			329,969	131,447
Pine Creek Patrol	399	19,712			17,289	2,822
McCurtain County Sheriff's Office	130,900	645,343			690,315	85,928
Solid Waste	115,359	1,275,818			1,278,224	112,953
County Clerk Preservation Fee	25,631	31,370			21,538	35,463
Capital Improvement Fund	28,475					28,475
Federal Highway Assistance	306	3				309
McCurtain County Tourism Authority	153,435	305,207			212,999	245,643
County Sinking	16					16
Federal Forest	127,102					127,102
Emergency Management Authority/Use Tax	352,069	375,393	42,000	141,850	257,652	369,960
Sheriff's Confiscated Drug Fund	353	6,890			5,100	2,143
Hospital Authority	2,284,149	1,314,129			2,705,720	892,558
Resale Payroll	7,955	20,054			8,828	19,181
CK-0044 Battiest		8,000			8,000	
McCurtain County Volunteer Fire Department	559,678	653,513		42,000	475,230	695,961
CK-1039 Little River		8,218			8,218	
CK-2039 Sherwood Project	2,800	4,026			6,826	
CK-2042 Smithville Road		38,080			38,080	
CK-2035 Ringold VFD		15,000			15,000	
CK-2036 Eagletown VFD		9,530			9,530	
CK-2037 Hochatown		15,000				15,000
CK-3037 Civic		63,507			56,507	7,000
CK- Highway 725 East		38,080		38,080		
Combined Total -- All County Funds	\$ 4,971,907	\$ 12,695,031	\$ 221,930	\$ 235,296	\$ 13,488,172	\$ 4,165,400

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

**McCURTAIN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

1. Summary of Significant Accounting Policies

A. Reporting Entity

Counties were created by the Constitution of Oklahoma. One county officer is appointed; however, most county officers are locally elected by their constituents. All county powers are delegated by the state.

The accompanying basic financial statement presents the receipts, disbursements, and changes in cash balances of the total of all funds of McCurtain County, Oklahoma. The financial statement referred to includes only the primary government of McCurtain County, Oklahoma, and does not include financial information for any of the government's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial information of the primary government. The funds presented as line items are not a part of the basic financial statement, but have been included as supplementary information within the basic financial statement. These separate funds are established by statute, and their operations are under the control of the County officials. 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. The other funds presented account for financial resources whose use is restricted for specified purposes.

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 funds included as supplementary information within the financial statement:

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

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

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

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

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

**McCURTAIN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

County Clerk Lien Fee (F-4) – accounts for lien collections and disbursements as restricted by statute.

Assessor's Revolving (H-4) – accounts for the collection of fees for copies restricted by state statute.

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

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

Pine Creek Patrol – accounts for monies received from the Corps of Engineers for patrolling services.

McCurtain County Sheriff's Office – accounts for sales tax monies received for the operation of the McCurtain County Sheriff's Office.

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

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

Capital Improvement Fund – accounts for insurance monies received on loss of building.

Federal Highway Assistance – accounts for federal funds received from the Department of Transportation for debris removal.

McCurtain County Tourism Authority – accounts for the excise tax collected on lodging to be used for the promotion and development of tourism and recreational activities for McCurtain County.

County Sinking – accounts for the payment of interest and principal on the matured portion of long-term bonded indebtedness and civil judgments. Debt service receipts are derived generally from a special ad valorem tax levy and from interest earned on investments of cash not immediately required for debt service payments. There is currently no long-term debt. The remaining balance will be transferred to the General Fund.

Federal Forest – accounts for federal grant Title III forestry receipts set aside for schools and roads.

**McCURTAIN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Emergency Management Authority/Use Tax – accounts for the use tax funds collected by the Oklahoma Tax Commission and remitted to the County. The BOCC has designated these funds to be used for emergency management and other uses.

Sheriff's Confiscated Drug Fund – accounts for proceeds from forfeited drug cases. These funds are used for the intervention and prevention of narcotics use.

Hospital Authority – accounts for collection of sales tax to be used for the purchase of equipment and to maintain the property of McCurtain County Hospital Authority.

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

CK-0044 Battiest – accounts for state funds to be used for the construction of roads.

McCurtain County Volunteer Fire Department – accounts for sales tax funds to be used for the operation of the McCurtain County Volunteer Fire Departments.

CK-1039 Little River – accounts for state funds to be used for the construction of roads.

CK-2039 Sherwood Project – accounts for state funds to be used for the construction of a Fire Department at the Sherwood community.

CK-2042 Smithville Road – accounts for state funds to be used for the construction of roads.

CK-2035 Ringold VFD – accounts for state funds to be used for the construction of a Fire Department at the Ringold community.

CK-2036 Eagletown VFD – accounts for state funds to be used for the construction of a Fire Department at the Eagletown community.

CK-2037 Hochatown – accounts for state funds to be used for the construction of roads.

CK-2037 Civic – accounts for state funds to be used for the construction of roads.

CK-Highway 725 East – accounts for state funds to be used for the construction of roads.

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.

**McCURTAIN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

C. Basis of Accounting

The basic 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 cash basis financial presentation is not a comprehensive measure of economic condition or changes therein.

D. Budget

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

For the highway funds and other funds, which are not required to adopt a formal budget, appropriations are made on a monthly basis, according to the funds then available.

E. Cash and Investments

The County pools the cash of its various funds in maintaining its bank accounts. These pools include the County's funds and amounts held in trust for other budgetary entities as described in Note 1B. However, cash applicable to a particular fund is readily identifiable on the County's books. The balance in the pooled county cash accounts is available to meet current operating requirements.

Allowable investments for general purposes include certificates of deposit, savings accounts, and direct obligations of the U.S. Government and its Agencies. The County's investments include certificates of deposit which are carried on the County's books at cost. At June 30, bank balances of the County's demand accounts totaled \$9,395,481 and investments in certificates of deposit totaled \$1,051,921.

Custodial credit risk for deposits is the risk that in the event of bank failure, the County's deposits may not be returned or the County will not be able to recover collateral securities in the possession of an outside party. 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).

**McCURTAIN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

The County Treasurer did not ensure deposits were adequately collateralized and at June 30, 2009, the amounts deposited were exposed to custodial credit risk in the amount of \$6,500,973.

F. Compensated Absences

Vacation benefits are earned by the employee during the year and may be accumulated up to 5 days. Employees earn 10 days of annual leave per year. Upon separation, an employee will be paid for the balance of accrued annual leave up to the accumulation limit.

Sick leave benefits are accrued at the rate of 10 days per year and employees may accumulate up to 60 days. Sick leave is not paid upon termination.

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."

The assessed property value as of January 1, 2008, was approximately \$169,423,055.

The County levied 10.00 mills (the legal maximum) for general fund operations, 2.50 mills for county health department, 4.00 mills for multi-county library, and 3.00 mills for emergency medical service. In addition, the County collects the ad valorem taxes assessed by school districts and remits the ad valorem taxes collected to the appropriate taxing units.

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. Unpaid real property taxes become a lien upon said property on October 1 of each year.

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

Current year tax collections for the year ended June 30, 2009, were approximately 90.21 percent of the tax levy.

**McCURTAIN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

3. Fuel Tax

The County receives major funding for roads and highways from a state imposed fuel tax. Taxes are collected by the Oklahoma Tax Commission. Taxes are imposed on all gasoline, diesel, and special fuel sales statewide. The County’s share is determined on formulas based on the County population, road miles, and land area and is remitted to the County monthly. These funds are earmarked for roads and highways only and are accounted for in the county highway fund.

4. Risk Management

The County is exposed to the various risks of loss shown in the following table:

Types of Loss	Method of Management	Risk of Loss Retained
General Liability <ul style="list-style-type: none"> • Torts • Errors and Omissions • Law Enforcement Officers' Liability • Vehicle 	The County participates in a public entity risk pool: Association of County Commissioners of Oklahoma-Self-Insurance Group. (See ACCO-SIG.)	If claims exceed the authorized deductibles, the County could have to pay its share of any pool deficit. A judgment could be assessed for claims in excess of the pool’s limits.
Physical Plant <ul style="list-style-type: none"> • Theft • Damage to Assets • Natural Disasters 		
Employee <ul style="list-style-type: none"> • Medical • Disability • Dental • Life 	The County participates in the Oklahoma Public Employees Health and Welfare Plan. (See OPEH&WP.)	If claims exceed pool assets, the members would have surcharges assessed to pay the excess claims.

ACCO-SIG – The pool operates as a common risk management and insurance program and is to be self-sustaining through member premiums. Each participating member chooses a deductible amount (\$10,000, \$25,000, or \$50,000). The County has chosen a \$25,000 deductible for each insured event as stated in the County’s “Certificate of Participation.” The risk pool will pay legitimate claims in excess of the County’s deductible amount. The pool has acquired specific excess insurance with retention limits of \$250,000 for property claims and \$500,000 for general liability claims. The pool has acquired reinsurance in the amount of \$2,000,000 for general liability and \$50,000,000 per occurrence for property to cover claims that exceed the pool’s retention limits. If claims exceed pool assets, the County could be liable for its share of the pool’s deficit. Settled claims have not exceeded insurance coverage for each of the past three fiscal years. There have been no significant reductions in coverage from the prior fiscal year.

**McCURTAIN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

OPEH&WP – On February 1, 2009, the County entered into an interlocal agreement with other governmental entities to participate in a pooled self-insurance fund to provide insurance coverage. The pool provides for surcharges to be assessed for claims in excess of pool assets to offset pool deficits. Settled claims have not exceeded insurance coverage for each of the past three fiscal years.

5. Long-term Obligations

Capital Leases

The County acquires road machinery and equipment through lease-purchase agreements financed by the Oklahoma Department of Transportation and/or the equipment vendors or their assignees pursuant to the provisions of 69 O.S. § 636.1 through § 636.7. Lease agreements entered into with the Oklahoma Department of Transportation (ODOT) are interest free, but have a one-time fee of 3% on all pieces of machinery acquired.

6. 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. County employees are required to contribute between 3.5% and 8.5% of earned compensation. The County contributes between 9.5% and 14.5% of earned compensation. Elected officials could contribute between 4.5% and 10% of their entire compensation. The County contributes 14.5% of earned compensation for elected officials. The County's contributions to the Plan for the years ending June 30, 2009, 2008, and 2007, were \$610,140, \$567,863, and \$518,770, respectively, equal to the required contributions for each year.

2.5% Step-Up. Members have the option to increase the benefit computation factor for all future service from 2.0% to 2.5%. The election is irrevocable, binding for all future employment under OPERS, and applies only to full years of service.

**McCURTAIN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

7. 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.

8. 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.

9. Sales Tax

The voters of McCurtain County approved a permanent one-half percent (1/2%) sales tax effective August 17, 1991. This sales tax was established to provide revenue for the maintenance of a solid waste system.

The voters of McCurtain County approved a three percent (3%) excise tax for McCurtain County Tourism Authority effective August 27, 2002, to be in effect for ten years. This excise tax is for promotion and development of tourism and recreational activities for McCurtain County.

The voters of McCurtain County approved a one-half percent (1/2%) sales tax effective July 1, 2004, to be in effect until the last day of June 2009. This sale tax is to be used for the purchase of equipment and to maintain the property of the McCurtain County Hospital Authority.

The voters of McCurtain County approved a permanent one-half percent (1/2%) sales tax effective January 1, 2000. This sales tax is to be used to operate and maintain the McCurtain County Jail.

The voters of McCurtain County approved a permanent one-quarter percent (1/4%) sales tax effective January 1, 2000. This sales tax is to be used to staff and maintain the McCurtain County Sheriff's Department.

**McCURTAIN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

The voters of McCurtain County approved a permanent one-quarter percent (1/4%) sales tax effective January 1, 2007. This sales tax is to be used to provide funding for county fire departments.

10. Transfers

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

- \$13,366 was transferred from the Highway Cash Fund to the McCurtain County Jail Trust Fund (a Trust & Agency Fund) for the payment of supervisory services for inmate crews.
- \$38,080 was transferred from CK-Highway 725 East to reimburse the Highway Fund for expenditures made for REAP programs. \$3,350 was transferred from Emergency Management Authority/Use Tax Fund to Highway Fund to supplement highway expenditures.
- \$138,500 was transferred from the Emergency Management Authority Fund to the General Fund to supplement general government expenditures.
- During the fiscal year ended June 30, 2007, the Emergency Management Authority/Use Tax Fund made an interfund loan to the McCurtain County Volunteer Fire Department in the amount of \$78,000. In the prior year, \$21,000 was repaid. During the current year, the McCurtain County Volunteer Fire Department Fund repaid \$42,000 of this loan. This loan still had a balance of \$15,000 that was not paid back at June 30, 2009.

OTHER SUPPLEMENTARY INFORMATION

McCURTAIN 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, 2009

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 184,356	\$ 184,356	\$ 184,356	\$ -
Less: Prior Year Outstanding Warrants	(47,045)	(47,045)	(46,574)	471
Less: Prior Year Encumbrances	(16,498)	(16,498)	(15,523)	975
Beginning Cash Balances, Budgetary Basis	<u>120,813</u>	<u>120,813</u>	<u>122,259</u>	<u>1,446</u>
Receipts:				
Ad Valorem Taxes	1,540,210	1,592,724	1,563,673	(29,051)
Charges for Services	108,727	108,727	161,085	52,358
Intergovernmental Revenues	601,748	601,748	624,073	22,325
Miscellaneous Revenues	227,319	227,319	73,448	(153,871)
Total Receipts, Budgetary Basis	<u>2,478,004</u>	<u>2,530,518</u>	<u>2,422,279</u>	<u>(108,239)</u>
Expenditures:				
District Attorney	7,500	7,500	7,498	2
County Sheriff	284,000	284,000	282,739	1,261
County Treasurer	170,202	170,202	169,966	236
County Commissioners	340,108	340,137	336,522	3,615
OSU Extension	106,785	106,785	74,373	32,412
County Clerk	200,621	200,621	200,262	359
Court Clerk	109,066	109,066	108,277	789
County Assessor	156,161	159,213	159,177	36
Revaluation of Real Property	268,340	268,118	266,963	1,155
Juvenile Shelter Bureau	36,179	36,179	34,066	2,113
District Court	36,064	36,841	36,841	
General Government	171,777	169,033	163,278	5,755
Excise-Equalization Board	14,200	15,820	10,706	5,114
County Election Board	92,221	119,111	108,103	11,008
Insurance	495,671	521,369	510,517	10,852
Charity	6,000	6,000	4,540	1,460
County Audit Budget Account	28,917	14,331	14,331	
County Cemetery Account	55,000	67,000	66,420	580
Free Fair Budget	10,005	10,005	9,988	17
Provision for Interest on Warrants	10,000	10,000		10,000
Total Expenditures, Budgetary Basis	<u>2,598,817</u>	<u>2,651,331</u>	<u>2,564,567</u>	<u>86,764</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	(20,029)	<u>\$ (20,029)</u>
Other Sources				
Transfer In			138,500	
Total Other Sources			<u>138,500</u>	
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			3,143	
Add: Current Year Outstanding Warrants			<u>132,456</u>	
Ending Cash Balance			<u>\$ 254,070</u>	

The accompanying notes to the other supplementary information are an integral part of this schedule.
See independent auditor's report.

McCURTAIN 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, 2009

	County Health Department Fund			
	Original	Final	Actual	Variance
	Budget	Budget		
Beginning Cash Balances	\$ 309,283	\$ 309,283	\$ 309,283	\$ -
Less: Prior Year Outstanding Warrants	(76,041)	(76,041)	(76,041)	
Less: Prior Year Encumbrances	(7,691)	(7,691)	(7,395)	296
Beginning Cash Balances, Budgetary Basis	<u>225,551</u>	<u>225,551</u>	<u>225,847</u>	<u>296</u>
Receipts:				
Ad Valorem Taxes	385,052	385,052	390,917	5,865
Intergovernmental		131,026	165,700	34,674
Miscellaneous Revenues	23,861	23,861		(23,861)
Total Receipts, Budgetary Basis	<u>408,913</u>	<u>539,939</u>	<u>556,617</u>	<u>16,678</u>
Expenditures:				
Health and Welfare	634,464	765,490	427,329	338,161
Total Expenditures, Budgetary Basis	<u>634,464</u>	<u>765,490</u>	<u>427,329</u>	<u>338,161</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	355,135	<u>\$ 355,135</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			42,566	
Add: Current Year Outstanding Warrants			4,234	
Ending Cash Balance			<u>\$ 401,935</u>	

The accompanying notes to the other supplementary information are an integral part of this schedule. See independent auditor's report.

**McCURTAIN COUNTY, OKLAHOMA
DETAILED SCHEDULE OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES—SINKING FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Beginning Cash Balance	<u>\$ 16</u>
Receipts:	
Total Receipts	<u>-</u>
Disbursements:	
Total Disbursements	<u>-</u>
Ending Cash Balance	<u>\$ 16</u>

The accompanying notes to the other supplementary information are an integral part of this schedule.
See independent auditor's report.

**McCURTAIN COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

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

2. Sinking Fund Schedule

Debt service receipts are derived generally from a special ad valorem tax levy and from interest earned on investments of cash not immediately required for debt service payments. There is currently no long-term debt. The remaining balance will be transferred to the General Fund.

See independent auditor's report.

**McCURTAIN COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed Through Oklahoma State Treasurer:			
Schools and Roads - Grants to States	10.665		\$ 454,691
Total U.S. Department of Agriculture			<u>454,691</u>
<u>U.S. DEPARTMENT OF INTERIOR</u>			
Direct Grant:			
Payments in Lieu of Taxes	15.226		59,579
Total U.S. Department of Interior			<u>59,579</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Passed Through State District Attorney's Council:			
Violence Against Women Formula Grants	16.588		72,171
Edward Byrne Memorial Justice Assistance Grant Program	16.738		8,613
Total U.S. Department of Justice			<u>80,784</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Passed Through State Department of Oklahoma Emergency Management			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		42,151
Total U.S. Department of Homeland Security			<u>42,151</u>
Total Expenditures of Federal Awards			<u>\$ 637,205</u>

The accompanying note is an integral part of this schedule.
See independent auditor's report.

**McCURTAIN COUNTY, OKLAHOMA
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Basis of Presentation

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

See independent auditor's report.

INTERNAL CONTROL AND COMPLIANCE SECTION



Oklahoma State Auditor & Inspector

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

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
McCURTAIN COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of McCurtain County, Oklahoma, as of and for the year ended June 30, 2009, which comprises McCurtain County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated June 13, 2011. Our report on the basic financial statement was adverse because the statement is not a presentation in conformity with accounting principles generally accepted in the United States of America. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered McCurtain County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2009-1, 2009-2, 2009-3, 2009-4, 2009-7, 2008-8, 2009-9, 2009-21, and 2009-33 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 2009-1, 2009-2, 2009-3, 2009-8, 2009-9, and 2009-33 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether McCurtain County's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items 2009-5, 2009-6, 2009-11, 2009-15, 2009-16, 2009-18, and 2009-19.

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

This report is intended solely for the information and use of the management of the County and should not be used for any other purpose. This report is also a public document pursuant to the Oklahoma Open Records Act (51 O.S. § 24A.1 et seq.), and shall be open to any person for inspection and copying.

A handwritten signature in blue ink, appearing to read "Gary A. Jones", with a long horizontal flourish extending to the right.

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

June 13, 2011



Oklahoma State Auditor & Inspector

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

Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133

TO THE OFFICERS OF
McCURTAIN COUNTY, OKLAHOMA

Compliance

We have audited the compliance of McCurtain County, Oklahoma, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of McCurtain County's major federal programs for the year ended June 30, 2009. McCurtain County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of McCurtain County's management. Our responsibility is to express an opinion on McCurtain County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about McCurtain County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of McCurtain County's compliance with those requirements.

As described in item 2009-14, in the accompanying schedule of findings and questioned costs, McCurtain County did not comply with requirements regarding Procurement that are applicable to its Schools and Roads – Grants to States program. Compliance with such requirements is necessary, in our opinion, for McCurtain County to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the County, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2009. The results of our auditing procedures also disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2009-13 and 2009-22.

Internal Control Over Compliance

Management of McCurtain County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered McCurtain County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of McCurtain County's internal control over compliance.

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2009-10 and 2009-12 to be material weaknesses.

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

This report is intended solely for the information and use of management, those charged with governance, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties. This report is also a public document pursuant to the Oklahoma Open Records Act (51 O.S. § 24A.1 et seq.), and shall be open to any person for inspection and copying.



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

June 13, 2011

**McCURTAIN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

SECTION 1—Summary of Auditor’s Results

Financial Statements

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

Internal control over financial reporting:

- Material weakness(es) identified?..... Yes
- Significant deficiency(ies) identified that are not considered to be material weaknesses?..... Yes

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

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?..... Yes
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? None reported

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

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

Identification of Major Programs

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

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

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

**McCURTAIN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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 2009-1—Segregation of Duties - Treasurer

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, the duties of receiving, receipting, recording, depositing cash and checks, reconciliations, and transaction authorization should be segregated.

Condition: The County Treasurer's office has one deputy that balances the cash drawer, prepares the deposit, posts daily receipts to the daily reports and general ledger, prepares the monthly reports, and reconciles the bank accounts. This deputy also has a cash box and can issue receipts when needed.

The same deputy posts daily receipts to the official depository ledger, prepares the official depository deposit, registers and signs vouchers. This deputy also issues official depository receipts when needed. Further, unused official depository vouchers are stored in an unsecure location and can be accessed by anyone in the office.

Effect: 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 management be aware of these conditions and realize that concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective controls lie in management's overseeing of office operations and a periodic review of operations. OSAI recommends management provide segregation of duties so that no one employee is able to perform all accounting functions. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risks involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office, and having management review and approval of accounting functions.

Views of responsible officials and planned corrective actions:

County Treasurer: I take deposits and register depository checks when the deputy is away from her desk. Also there are three other deputies that take deposits and register checks and do miscellaneous reports. I go over the bank statements and monthly reports each month. I go over the books in the office and ask questions as to why this was done this way. Everyone knows how to do each other's books so when they are gone on sick leave or vacation they will not get behind in work. Everyone in the office has their own cash box and is responsible for checking up each day.

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Finding 2009-2—Segregation of Duties - Payroll

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

Condition: The Payroll Clerk enrolls new employees, inputs payroll information into the system, maintains personnel files, and prepares the OPERS reports and state and federal tax reports. In addition, the Payroll Clerk processes payroll claims, prints and reviews payroll verification reports for errors, prints payroll warrants, distributes payroll warrants, and initiates direct deposits.

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

Recommendation: OSAI recommends management be aware of these conditions and realize that concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective controls lie in management's overseeing of office operations and a periodic review of operations. OSAI recommends management provide segregation of duties so that no one employee is able to perform all accounting functions. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risks involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office, and having management review and approval of accounting functions.

Views of responsible officials and planned corrective actions:

County Clerk: The payroll process will be properly segregated to assure adequate internal control.

Finding 2009-3—County Clerk's Cash Voucher Ledger

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Effective internal controls include ledgers be maintained to ensure proper accounting of funds.

Title 19 O.S. § 250 states in part:

The county clerk shall keep a book in which he shall keep a record of the receipts and expenditures of his county and all accounts...

Condition: The County Clerk's office does not maintain ledgers for cash voucher funds.

Effect: This condition could result in unrecorded transactions, undetected errors, or misappropriation of funds.

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Recommendation: OSAI recommends the County Clerk maintain ledgers reflecting transactions from cash voucher funds.

Views of responsible officials and planned corrective actions:

County Clerk: At this time a ledger reflecting cash voucher accounts is being maintained in the County Clerk's office.

Finding 2009-4—Treasurer's Resale Expenditures

Criteria: Effective internal controls include reconciling the payment ledger to the general ledger to ensure a proper stewardship and accountability of public funds.

Condition: Payments were posted to the County Treasurer's Payment Ledger incorrectly. Resale Payroll fund disbursements were charged to the Resale fund resulting in incorrect posting to the General Ledger.

Effect: This condition could result in misappropriation of funds.

Recommendation: OSAI recommends the County Treasurer reconcile the Payment Ledger to the Warrant Register.

Views of responsible officials and planned corrective actions:

County Treasurer: This has been corrected and the payment ledger is being reconciled to the warrant register.

Finding 2009-5—Expenditures (Warrants)

Criteria: Title 19 O.S. § 1505 prescribes the procedures for requisition, purchase and receipt of supplies, material and equipment.

Condition: While performing the expenditure testwork, the following exceptions were noted:

- Seven of sixty seven warrants tested were not timely encumbered

<u>PO#</u>	<u>Warrant #</u>	<u>Fund</u>	<u>Date</u>	<u>Amount</u>
Not Timely Encumbered				
4919	2134	General – Fair Board	3/9/09	\$59.24
1585	850	Highway District 3	9/26/08	\$57.33
3519	1680	Highway District 3	1/5/09	\$80.00

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<u>PO#</u>	<u>Warrant #</u>	<u>Fund</u>	<u>Date</u>	<u>Amount</u>
5013	2409	Highway District 3	3/16/09	\$290.00
6250	3111	Highway District 3	5/26/09	\$1,790.36
5513	703	Sheriff's Fund	4/13/09	\$350.00
402	149	Highway	7/21/08	\$22.75

Effect: This condition could result in unrecorded transactions, undetected errors, or misappropriation of funds.

Recommendation: OSAI recommends the County strictly adhere to state purchasing laws.

Views of responsible officials and planned corrective actions:

County Sheriff: This department has implemented a procedure to encumber purchase orders in a timely manner and have the proper supporting documents.

District #1 Commissioner: We plan to make sure that all of our county offices understand and comply with state purchasing procedures.

District #2 Commissioner: We plan to take measures to strictly adhere to state purchasing laws.

District #3 Commissioner: We will take measures to correct this as soon as possible.

Finding 2009-6—Underpledged

Criteria: Title 62 O.S. § 511 states:

Any custodian of public funds of any kind or character, required by law to secure proper collateral before depositing public funds in a bank or trust company, shall hereafter, in depositing public funds in a bank or trust company whose deposits are insured by the Federal Deposit Insurance Corporation, be required to secure proper collateral only for sums deposited in excess of the amount of deposit insured by such Federal Deposit Insurance Corporation.

Title 62 O.S. §517.3 states:

All public deposits made by a treasurer of a public entity in financial institutions shall be secured as provided for in the Security for Local Public Deposits Act.

Condition: The County's bank account balances and investments were underpledged as noted:

January 1, 2009

- Accounts and Investments held at McCurtain County National Bank were underpledged by \$11,888,287.03.

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- Accounts and Investments held at Edward Jones Investments were underpledged by \$52,909.28.

June 30, 2009

- Accounts and Investments held at McCurtain County National Bank were underpledged by \$6,447,879.35.
- Accounts and Investments held at Edward Jones Investments were underpledged by \$53,094.06.

Effect: This condition could result in the loss of county funds.

Recommendation: OSAI recommends the County Treasurer monitor county pledges routinely to ensure that deposits are adequately secured.

Views of responsible officials and planned corrective actions:

County Treasurer: The Tourism Board wanted their CDs at Edward D. Jones because of better interest. I explained to them that Edward D. Jones was not covered by FDIC. They said they knew it but that's where they wanted them. But I am sure I am covered at McCurtain Co National Bank with County money.

Finding 2009-7—Disaster Recovery Plan

Criteria: CobiT 4.1 DS4.1 states the following:

Develop a framework for IT continuity to support enterprise wide business continuity management using a consistent process. The objective of the framework should be to assist in determining the required resilience of the infrastructure and to drive the development of disaster recovery and IT contingency plans. The framework should address the organizational structure for continuity management, covering the roles, tasks, and responsibilities of internal and external service providers, their management and their customers, and the planning processes that create the rules and structures to document, test and execute the disaster recovery and IT contingency plans. The plan should also address items such as the identification of critical resources, noting key dependencies, the monitoring and reporting of the availability of critical resources, alternative processing, and the principles of backup and recovery.

In addition CobiT 4.1 DS4.2 states:

Develop IT continuity plans based on the framework and designed to reduce the impact of a major disruption on key business functions and processes. The plans should be based on risk understanding of potential business impacts and address requirements for resilience, alternative processing and recovery capability of all critical IT services. They

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should also cover usage guidelines, roles and responsibilities, procedures, communication processes, and the testing approach.

Condition: A Disaster Recovery Plan is not in place for the offices of the County Treasurer and the County Clerk. There is not a procedure addressing how critical information and systems would be restored in the event of a disaster. In addition, back-ups for the County Clerk's office are not stored in a fire-proof safe.

Effect: The failure to have a current disaster recovery plan could result in the County being unable to function in the event of a disaster. The lack of a procedure addressing how critical information and or systems would be restored could cause significant problems in ensuring that County business could continue uninterrupted.

Recommendation: OSAI recommends the County develop a disaster recovery plan that has a procedure that addresses how critical information and systems would be restored in the event of a disaster. The County Clerk should also store their back-ups in a safe, secure location, away from the courthouse, where information could be easily retrieved in the event of a disaster.

Views of responsible officials and planned corrective actions:

County Treasurer: My monthly and daily backups are put in our safe. Our system programmer has monthly backup in his office. He gets a monthly backup each month from our computer.

County Clerk: Since brought to my (our) attention, I have contacted other counties that have a disaster recovery plan. I am preparing a disaster recovery plan for my office.

Finding 2009-8—County Wide Controls

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 made. Internal control comprises the plans, methods, and procedures used to meet missions, goals, and objectives. Internal control also serves as the first line of defense in safeguarding assets and preventing and detecting errors and fraud. County management is responsible for designing a county-wide internal control system comprised of Control Environment, Risk assessment, Information and Communication, and Monitoring for the achievement of these goals.

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

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

Condition: County-wide controls regarding Risk Management and Monitoring have not been designed.

Effect: This condition could result in unrecorded transactions, undetected errors, or misappropriation of funds.

Recommendation: OSAI recommends that the County implement a system of internal controls to provide reasonable assurance regarding the achievement of goals and objectives.

Views of responsible officials and planned corrective actions:

County Treasurer: We will work to ensure that proper documentation is maintained and work to implement a system of internal controls to provide reasonable assurance regarding the financial statements.

County Clerk: We will work to ensure that proper documentation is maintained and work to implement a system of internal controls to provide reasonable assurance regarding the financial statements.

District #1 Commissioner: We will take necessary steps to ensure that financial statements are reviewed and that the disclosures are correctly presented.

District #2 Commissioner: We plan to implement procedures to review the process for the financial statement and notes.

District #3 Commissioner: We plan to ensure proper internal controls are in place and plan to contract an outside firm to complete financial statements.

Finding 2009-9—Financial Statements and Disclosures

Criteria: The County's management is responsible for establishing internal control procedures to prevent or detect misstatements in a timely manner. This includes preparation of the financial statements and accompanying notes to the financial statements in accordance with applicable accounting principles. Statement on Auditing Standards (SAS) No. 112 indicates that the County must have adequate knowledge and expertise to apply accounting principles to the financial statements or to review financial statements prepared on their behalf by others to ensure they are prepared in accordance with these principles. Professional audit standards indicate that the external financial statement auditor cannot perform any part

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of management's control activities or be a component of the internal controls over financial reporting as this would impair their independence.

Condition: Internal controls have not been developed to prevent or detect misstatements in a timely manner or to ensure all required disclosures are presented with the financial statement.

Effect: This condition could result in unrecorded transactions, undetected errors, or misappropriation of funds. Also, the potential exists for misstatements to go undetected, specifically for the completeness of required financial statement disclosures.

Recommendation: OSAI recommends the County implement a review process for the financial statements and accompanying notes. The County may consider one or more of the following to ensure proper internal controls:

- Using a checklist or financial statement guide to facilitate the review process.
- Having at least one staff member trained in financial statement preparation and having sufficient skills necessary to prepare a complete set of year-end financial statements .
- Contract an outside firm or individual to review or prepare the financial statements and accompanying notes to the financial statements to ensure appropriate disclosures are presented.

Views of responsible officials and planned corrective actions:

County Treasurer: We will work to ensure that proper documentation is maintained and work to implement a system of internal controls to provide reasonable assurance regarding the financial statements.

County Clerk: We will work to ensure that proper documentation is maintained and work to implement a system of internal controls to provide reasonable assurance regarding the financial statements.

District #2 Commissioner: The Commissioners will work to have a staff member trained in the preparation of the financial statement and footnote disclosures.

District #3 Commissioner: The Commissioners will work to have a staff member trained in the preparation of the financial statement and footnote disclosures.

Finding 2009-11—Estimate of Needs

Criteria: Title 68 O.S. § 3002.A states:

Notwithstanding the provisions of the School District Budget Act, each board of county commissioners and the board of education of each school district, shall, prior to October 1 of each year, make, in writing, a financial statement, showing the true fiscal condition of their respective political subdivisions as of the close of the previous fiscal year ended June 30th, and shall make a written itemized statement of estimated needs and probable income from all sources including ad valorem tax for the current fiscal year. Such

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financial statement shall be supported by schedules or exhibits showing, by classes, the amount of all receipts and disbursements, and shall be sworn to as being true and correct. The statement of estimated needs shall be itemized so as to show, by classes: first, the several amounts necessary for the current expenses of the political subdivision and each officer and department thereof as submitted in compliance with the provisions of Section 3004 of this title; second, the amount required by law to be provided for sinking fund purposes; third, the probable income that will be received from all sources, including interest income and ad valorem taxes; and shall be detailed in form and amount so as to disclose the several items for which the excise board is authorized and required, by this article, to approve estimates and make appropriations.

Condition: While reviewing the financial statement numbers presented on the 2009-2010 Estimate of Needs and Financial Statement of the Fiscal Year 2009, we noted that total cash receipts and total cash disbursements for the General Fund were overstated in the amount of \$ 50,970.

While reviewing the financial statement numbers presented on the 2009-2010 Estimate of Needs and Financial Statement of the Fiscal Year 2008-2009 for the General Fund, we noted that prior year outstanding warrants were understated in the amount of \$471.

Effect: This condition resulted in misstated financial reports and inflated the budgeted revenue in the succeeding fiscal year.

Recommendation: OSAI recommends the County review the estimate of needs prior to approval to ensure that financial information is accurately presented.

Views of responsible officials and planned corrective actions:

County Treasurer: The Excise Board and the County Commissioners should check the budget figures thoroughly before signing to make sure that the information is correct and go over everything with the budget maker and other elected officials with the figures in the budget.

District #1 Commissioner: We plan to closely review the school district estimates to see that information stated therein is correct.

District #2 Commissioner: We plan to review this matter and take steps to correct.

District #3 Commissioner: We plan to implement procedures to correct this problem.

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Finding 2009-15—Delinquent Ad Valorem Payments

Criteria: Title 68 O.S. § 2913 states:

A. All taxes levied upon an ad valorem basis for each fiscal year shall become due and payable on the first day of November. Except for mortgage servicers, the exclusive method for payment shall be as follows:

1. Unless one-half (1/2) of the taxes so levied has been paid before the first day of January, the entire tax levy for such fiscal year shall become delinquent on that date.

2. If the first half of the taxes levied upon an ad valorem basis for any such fiscal year has been paid before the first day of January, the second half shall be paid before the first day of April thereafter and if not paid shall become delinquent on that date.

In no event may payment be made in more than two equal installments subject to the provisions of the payment schedule specified in this subsection.

B. Mortgage servicers, as defined in 24 C.F.R., part 3500.17, shall pay all accounts which they are servicing in one annual payment before the first day of January or the entire tax levy for such fiscal year shall become delinquent on that date.

C. If the total tax owed is Twenty-five Dollars (\$25.00) or less, then the total amount must be paid before January 1. If the total tax is not paid before January 1, the unpaid balance owing shall become delinquent on the first day of January and shall be subject to delinquent charges as provided for in this section.

D. All delinquent taxes shall bear interest at the rate of one and one-half percent (1 1/2%) per month or major fraction thereof until paid. In no event shall such interest exceed a sum equal to the unpaid principal amount of tax, and when such interest has accumulated to a sum equivalent to one hundred percent (100%) of the unpaid tax the further accumulation of interest shall cease.

E. In addition to any other penalties prescribed by law, delinquent taxes shall be subject to a late payment penalty of five percent (5%) per month or a major fraction thereof until paid. The penalty assessed herein shall only apply to delinquent taxes that are due on property located in a dependent school district in a county with a population of less than seventy-five thousand (75,000) according to the most recent Federal Decennial Census and held by a non-individual taxpayer when the tax has been paid delinquent for two (2) or more separate and consecutive years and the fair cash value of the property exceeds Five Hundred Thousand Dollars (\$500,000.00).

F. The county treasurer shall stamp the date of receipt on each letter received containing funds for payment of taxes and no interest shall be added or charged after the receipt of

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such letter or the amount due. It shall be the duty of every person subject to taxation according to the law to attend the county treasurer's office and pay his or her taxes. If any person neglects to pay his or her taxes until after they have become delinquent, the county treasurer is directed and required to collect the delinquent tax as provided for by law. The first half of taxes payable pursuant to the provisions of this section shall not become delinquent until thirty (30) days after the tax rolls have become completed and filed by the county assessor with the county treasurer.

G. The county treasurer may waive penalties or interest in any case where it is shown to the county treasurer that such penalties or interest were incurred through no fault of the taxpayer. Each waiver of penalties or interest shall be audited by the Office of the State Auditor and Inspector each year during the annual audit of the county offices.

Condition: While reviewing ad valorem payments, the following was noted:

- One hundred and forty (140) of the Treasurer's delinquent ad valorem payments for 2008 taxes were not charged the appropriate fees and penalties.
- The County Treasurer is accepting first half payments after December 31st.
- The Treasurer is accepting first half payments on parcels with a tax liability less than \$25.

Effect: This condition could result in possible loss of revenue and noncompliance to laws and regulations.

Recommendation: OSAI recommends the County Treasurer charge all appropriate fees for delinquent tax payments in accordance with state statutes. OSAI also recommends the County Treasurer accept ad valorem payments in accordance with state statutes.

Views of responsible officials and planned corrective actions:

County Treasurer: Our system is set up to change penalty on the 16th of each month. The system programmer okayed this through the auditor's office. He called from our phone and got this okayed. Sometimes in the mail there will be letters that lack some money on fees but I tell them to adjust and make sure the penalty is on them. We have mailed some letters back and they won't mail them until later but they don't want to pay penalty at a higher rate. So I just tell them unless there isn't any penalty on them at all mail them back but if there isn't enough to cover the fees just adjust them but be sure and show penalty but I can't say that this is always done.

Finding 2009-16—Delinquent Ad Valorem Publication

Criteria: Title 68 O.S. § 3106 states:

The county treasurer shall give notice of delinquent taxes and special assessments by publication once a week for two (2) 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, in some

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newspaper in the county to be designated by the county treasurer. Such notice shall contain a notification that all lands on which the taxes are delinquent and remain due and unpaid will be sold in accordance with Section 3105 of this title, a list of the lands to be sold, the name or names of the last owner or owners as reflected by the records in the office of the county treasurer, and the amount of taxes due and delinquent. If the sale involves property upon which is located a manufactured home the notice shall contain the following language: "The sale hereby advertised involves a manufactured home which may be subject to the right of a secured party to repossess. A holder of a perfected security interest in such manufactured home may be able to pay ad valorem taxes based upon the value of the manufactured home apart from the value of real property." In addition to said published notice, the county treasurer shall give notice by mailing to the owner of said real property, as shown by the last tax rolls in the county treasurer's office, a notice stating the amount of delinquent taxes owed and informing the owner that the subject real property will be sold as provided for in Section 3105 of this title if the delinquent taxes are not paid and showing the legal description of the property of the owner being sold. Failure to receive said notice shall not invalidate said sale. The county treasurer shall charge and collect in cash, cashier's check or money order, in addition to the taxes, interest and penalty, the publication fees as provided by the provisions of Section 121 of Title 28 of the Oklahoma Statutes, and Five Dollars (\$5.00) plus postage for mailing the notice, which shall be paid into the county treasury or whatever fund the publication and mailing fee expenses came from, and the county shall pay the cost of the publication of such notice. But in no case shall the county be liable for more than the amount charged to the delinquent lands for advertising and the cost of mailing.

Condition: Three hundred and fourteen (314) of the Treasurer's delinquent ad valorem properties for tax year 2008 were not published in the local newspaper.

Effect: This condition could result in noncompliance to laws and regulations.

Recommendation: OSAI recommends the County Treasurer follow state statutes regarding publication of delinquent ad valorem taxes.

Views of responsible officials and planned corrective actions:

County Treasurer: The only thing we can figure out was with our computer printout. The letters were sent but I don't know what happened to our printout and publication. There is no way I wouldn't publish that many names. I should have proofread everything but sometimes I can't do all of it.

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Finding 2009-18—Acceptance of Partial Payments Held in Trust

Criteria: Title 68 O.S. § 2913 states in part:

A. All taxes levied upon an ad valorem basis for each fiscal year shall become due and payable on the first day of November. Except for mortgage servicers, the exclusive method for payment shall be as follows:

1. Unless one-half (1/2) of the taxes so levied has been paid before the first day of January, the entire tax levy for such fiscal year shall become delinquent on that date.

2. If the first half of the taxes levied upon an ad valorem basis for any such fiscal year has been paid before the first day of January, the second half shall be paid before the first day of April thereafter and if not paid shall become delinquent on that date.

In no event may payment be made in more than two equal installments subject to the provisions of the payment schedule specified in this subsection.

B. Mortgage servicers, as defined in 24 C.F.R., part 3500.17, shall pay all accounts which they are servicing in one annual payment before the first day of January or the entire tax levy for such fiscal year shall become delinquent on that date.

C. If the total tax owed is Twenty-five Dollars (\$25.00) or less, then the total amount must be paid before January 1. If the total tax is not paid before January 1, the unpaid balance owing shall become delinquent on the first day of January and shall be subject to delinquent charges as provided for in this section.

Condition: The following was noted concerning payments for delinquent ad valorem taxes:

- The Treasurer is accepting partial ad valorem payments for delinquent parcels
- Receipts are issued from a generic, unofficial receipt book
- Receipts reflect payee, but ad valorem parcels and tax year are not denoted on some receipts
- Receipts are deposited into an official depository account
- No ledgers are maintained which reflect balances and payments received
- Parcels for taxpayers making partial payments are not published in the delinquent property publication

Effect: This condition could result in unrecorded transactions, misappropriation of assets, and misstated financial reports. This condition could also result in possible loss of revenue and noncompliance to laws and regulations.

Recommendation: OSAI recommends the County Treasurer accept ad valorem payments in accordance with state statutes.

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Views of responsible officials and planned corrective actions:

County Treasurer: We are accepting partial payments because so many people in our county is out of work and we feel like if they are trying to pay taxes it doesn't hurt to help them. I know there are other counties that does this. As of October 1, 2008, I am using official receipts printed and numbered with McCurtain County Treasurer. I have told each employee to be sure and put the year of the taxes and the parcel number. I don't always publish names in the paper if they are trying to pay their taxes. Also, we have talked to our system programmer about setting this account #12 in the computer which will be easier and we will have a complete record of everything. We are working on setting up a ledger on it also.

Finding 2009-19—Parcel not on Tax Roll

Criteria: Title 68 O.S. § 2804 states:

All property in this state, whether real or personal, except that which is specifically exempt by law, and except that which is relieved of ad valorem taxation by reason of the payment of an in lieu tax, shall be subject to ad valorem taxation.

Condition: During fraud risk interviews, OSAI was informed that the dwelling located on a parcel of property was not included on the tax roll. The parcel belonged to a relative of a field appraiser employed in the County Assessor's Office.

Effect: This condition could result in possible loss of revenue and noncompliance to laws and regulations.

Recommendation: OSAI recommends the County Assessor implement procedures to ensure that all real property is included in the tax roll as required by state statutes.

Views of responsible officials and planned corrective actions:

County Assessor: As the McCurtain County Assessor it was brought to my attention that a dwelling located on a parcel of property was not included on the tax roll. The said property which belonged to a relative of a field appraiser employed in the County Assessor's office. I realize this has resulted in a loss of revenue for the county. We strive to include all taxable property in the county on the tax rolls. Since this finding I have implemented proper procedures to insure that this will not happen again. All employees and their relative's properties will be inspected by field personnel not related to insure a fair and accurate appraisal will be conducted on these properties.

Finding 2009-21—Ledgers for Protest Taxes Not Maintained

Criteria: Effective internal controls include accurate ledgers be maintained for funds held in a fiduciary capacity.

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Further, Title 68 O.S. § 3137 states in part:

B. The resale property fund herein created for each county is hereby declared to be a continuous fund, not subject to fiscal year limitations, and is hereby dedicated, insofar as may be necessary, to the enforcement of the tax laws of the state, and is authorized to be expended for the following purposes:

1. For the purchase of necessary records, printing, supplies and equipment, and the employment of necessary clerical personnel, either on whole or part-time basis, in connection with delinquent personal tax lists and personal tax warrants, delinquent real estate tax lists and lists of unredeemed delinquent real estate subject to tax sale or resale, such costs to be limited to those incurred by the county treasurer;

2. For payment of the cost of advertising or publication, or posting if publication cannot be had, of any such lists;

3. For the reimbursement of the purchaser at resale or at commissioners' sale of any lot, tract, or parcel of real estate, sold at resale, against which no tax was due, or where the inclusion of such lot, tract, or parcel in the publication and offer for resale has been held invalid by a court of competent jurisdiction, or where the title thereto is vested in the Commissioners of the Land Office of the State of Oklahoma, or where such Commissioners of the Land Office have instituted or successfully terminated mortgage foreclosure proceedings in relation thereto prior to issuance of either a resale tax deed or a county commissioners' deed, or where such tract or parcel was nontaxable at the time of the assessment thereof for taxes, or where the sale thereof to such purchaser was illegal for any other reason; and such purchaser has no adequate recourse against the property thus sold; such reimbursement shall be made in the order of the claims filed with the county treasurer therefore, when properly supported by evidence satisfactory to said treasurer that the claimant is entitled to reimbursement hereunder. Provided, however, that no claim for refund not filed, as herein provided, within a period of three (3) years from the date of such sale shall be allowed or paid from said fund; and

4. For all rebates allowed under authority of statute by the board of county commissioners or the tax roll correction board of the county upon taxes found to have been illegally or erroneously collected, or on sale of certificate or issue of tax deed on lands or lots on which no tax was due or as to which the sale thereof is or was illegal for any reason. Provided, however, before the owner of such invalid deed may be reimbursed as aforesaid, he shall first be required to divest himself of purported title by attaching a quitclaim deed or other disclaimer to his claim for refund, setting out the reason for invalidity of the tax deed. The same procedure for refund shall apply whether the tax deed be from the county treasurer or the chairman of the board of county commissioners. The determination of whether such property has been erroneously sold for taxes to such purchaser, shall be made by the board of county commissioners; and in event title under an invalid resale tax deed remains with the county commissioners, the board of county

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commissioners so finding same invalid shall execute its resolution or order of disclaimer which shall be filed in the deed records of the county clerk without fee. No fee shall be charged for recording any quitclaim deed or disclaimer from the purchaser under the provisions of this section.

C. The expenditures so made shall be made only upon sworn itemized claims approved by the county treasurer and filed with the county clerk and paid by cash voucher drawn by the county clerk payable from said fund. Claims for cost of publication shall take precedence over all other claims on said fund, otherwise said approved claims shall be paid in the order filed as funds accrue from sale of county property as hereinbefore provided. If any such claim has not been paid within three (3) years, the same shall cease to be an obligation of the resale property fund of such county; but nothing in this article shall operate to prevent the payment for such services from an appropriation for such purpose in the general fund of the county in the manner and under the restrictions provided by law.

Condition: Prior years' protested taxes for one taxpayer were not maintained in separate ledgers and could not be identified in any fund on the general ledger. When the case was settled, the County Treasurer was forced to issue a refund for protested taxes from the County Treasurer's Resale Fund. Further, rather than using a cash voucher as required by state statutes for disbursements from this fund, the Treasurer remitted the funds by a treasurer's check circumventing oversight controls. The Treasurer currently holds protested taxes as a line item on the general ledger.

Effect: This condition could result in misappropriation of funds.

Recommendation: OSAI recommends the County Treasurer maintain ledgers for protested taxes that are reconciled to the general ledger. OSAI also recommends that controls be implemented to safeguard funds held in a fiduciary capacity. Further, disbursements made from restricted cash funds should follow procedures outlined in state statutes.

Views of responsible officials and planned corrective actions:

County Treasurer: Little Dixie Community Action Agency came in the last day of December 1999 to pay taxes under protest. It was late in the day and I failed to put the tax money separate on our ledger and let it get apportioned out. 2000 taxes wasn't paid until 1-18-01 but the judge said I had to pay LDCCA all their money back even after I showed him receipts dated 1-18-01. I didn't have anywhere to pay except Resale. I made sure I put Southwestern Bell in a protest account on the General Ledger.

Finding 2009-33—County Clerk Reconciliations

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

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the risk of errors and fraud within an organization. A key factor in this system is the reconciliation of the County Clerk's appropriation ledger to the County Treasurer's general ledger. This reconciliation would include verifying receipts apportioned, disbursements and cash balances for each fund.

Condition: The County Clerk does not reconcile all funds by receipts, disbursements, and cash balances to the County Treasurer's records.

Effect: This condition adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably.

Recommendation: OSAI recommends the County be aware that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected. Management should take action to mitigate the possibility of a misstatement. OSAI further recommends that the County Treasurer's and County Clerk's office personnel gain an understanding of the design of the internal controls process and implement controls regarding the reconciliation of funds between the County Treasurer's and County Clerk's office.

Views of responsible officials and planned corrective actions:

County Clerk: Action has been taken to correct this finding for the County Clerk's Financial Statement Audit. The County Clerk Deputy has been working with the County Treasurer to reconcile the receipts apportioned, disbursements, and each cash balance of each fund.

SECTION 3—Findings related to the Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133.

Finding 2009-10—Schedule of Federal Expenditures

PASS-THROUGH GRANTOR: Oklahoma State Treasurer

FEDERAL AGENCY: United States Department of Agriculture

CFDA NO: 10.665

FEDERAL PROGRAM NAME: Schools and Roads-Grants to States

FEDERAL AWARD YEAR: 2009

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

QUESTIONED COSTS: \$-0-

Criteria: The County's management is responsible for establishing internal control procedures to prevent or detect misstatements in a timely manner. This includes preparation of the Schedule of Expenditures of Federal Awards (SEFA) and accompanying notes to the SEFA. Professional audit standards indicate that

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the external financial statement auditor cannot perform any part of management's control activities or be a component of the internal controls over financial reporting as this would impair their independence.

Further, Circular A-133 Subpart C--Auditees § ____.300 Auditee responsibilities states:

The auditee shall:

- (a) Identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity.
- (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.
- (c) Comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its Federal programs.
- (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § ____.310.
- (e) Ensure that the audits required by this part are properly performed and submitted when due. When extensions to the report submission due date required by § ____.320(a) are granted by the cognizant or oversight agency for audit, promptly notify the Federal clearinghouse designated by OMB and each pass-through entity providing Federal awards of the extension.
- (f) Follow up and take corrective action on audit findings, including preparation of a summary schedule of prior audit findings and a corrective action plan in accordance with § ____.315(b) and § ____.315(c), respectively.

Condition: Management has not implemented procedures and internal controls for the accurate and timely preparation of the Schedule of Expenditures of Federal Awards and the accompanying notes.

Effect: This condition could result in noncompliance to reporting requirements set forth in Circular A-133.

Recommendation: OSAI recommends the County implement procedures and internal controls for the accurate and timely preparation of a Schedule of Expenditures of Federal Awards and accompanying notes. The County may consider one or more of the following to ensure proper presentation:

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- Having at least one staff member trained in the preparation of a Schedule of Expenditures of Federal Awards necessary to prepare a complete schedule and notes.
- Contract an outside firm or individual to review or prepare the Schedule of Expenditures of Federal Awards and accompanying notes.

Views of responsible officials and planned corrective actions:

County Treasurer: A greater effort will be made to ensure federal expenditures are made in compliance and with proper documentation.

County Clerk: A greater effort will be made to ensure federal expenditures are made in compliance and with proper documentation.

District #1 Commissioner: We plan to implement a series of procedures to put in the necessary internal controls to ensure that documentation is prepared and available.

District #2 Commissioner: We plan to review this matter and take steps to correct for the timely preparation of a schedule of expenditures of federal awards.

District #3 Commissioner: We plan to have one staff member trained in the preparation of a schedule of expenditures of federal awards.

Finding 2009-12—Internal Controls over Major Programs

PASS-THROUGH GRANTOR: Oklahoma State Treasurer

FEDERAL AGENCY: United States Department of Agriculture

CFDA NO: 10.665

FEDERAL PROGRAM NAME: Schools and Roads-Grants to States

FEDERAL AWARD YEAR: 2009

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

QUESTIONED COSTS: \$-0-

Criteria: Circular A-133 § __.300 (b) states that the auditee shall:

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

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

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

Effect This condition could result in noncompliance to grant requirements.

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

Views of responsible officials and planned corrective actions:

District #1 Commissioner: We will take necessary measures to correct this.

District #2 Commissioner: We will implement procedures to correct.

District #3 Commissioner: We will review this matter and take steps to correct.

Finding 2009-13—Schools and Roads – Grant to States

PASS-THROUGH GRANTOR: Oklahoma State Treasurer

FEDERAL AGENCY: United States Department of Agriculture

CFDA NO: 10.665

FEDERAL PROGRAM NAME: Schools and Roads-Grants to States

FEDERAL AWARD YEAR: 2009

CONTROL CATEGORY: Cash Management

QUESTIONED COSTS: \$5,421.74

Criteria: Circular A-133 § __.300 (b) states that the auditee shall:

Maintain internal controls over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have material effect on each of its Federal programs." In addition, 16 USC 500 § 402 outlines the treatment of funds and revenues for Federal Forestry Receipts. All revenues generated from projects pursuant to Title II, any funds remitted by counties pursuant to section 102 (d) (1) (B) (iii) or section 103 (c) (1) (B) (iii), and any interest accrued from such funds shall be deposited in the Treasury of the United States.

Condition: McCurtain County does not maintain a ledger for interest earned on the Schools and Roads-Grants to States program. The County earned approximately \$5,421.74 on this fund during the fiscal year. The interest earned on this fund was apportioned to other funds.

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Effect: McCurtain County may owe the federal agencies interest on advanced funds. This condition resulted in violation of federal cash management guidelines and could hinder the County from receiving future federal funding.

Recommendation: OSAI recommends that the County implement internal controls for the oversight of interest earned on Schools and Roads-Grants to States funds.

Views of responsible officials and planned corrective actions:

County Treasurer: I will start apportioning interest earned on these federal funds back into the Federal Forestry Fund. I will start maintaining a ledger of the accrued interest and notify the Commissioners of the interest accruing on the federal funds.

District #1 Commissioner: We plan to implement necessary controls to correct this.

District #2 Commissioner: We will review this matter and take steps to correct.

District #3 Commissioner: We will review this matter and take steps to correct.

Finding 2009-14—Schools and Roads – Grant to States

PASS-THROUGH GRANTOR: Oklahoma State Treasurer

FEDERAL AGENCY: United States Department of Agriculture

CFDA NO: 10.665

FEDERAL PROGRAM NAME: Schools and Roads-Grants to States

FEDERAL AWARD YEAR: 2009

CONTROL CATEGORY: Procurement and Suspension and Debarment

QUESTIONED COSTS: \$33,949.57

Criteria: Circular A-133 § .300 (b) states that the auditee shall “maintain internal controls over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have material effect on each of its Federal programs.”

Condition: Of the 60 expenditures tested, 13 expenditures totaling \$33,949.57 did not meet attributes for Compliance Requirement I – Procurement due to not encumbering the cost of goods prior to purchasing.

Effect: This condition could result in unallowed federal costs, loss of federal funds, or not meeting project objectives.

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

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Views of responsible officials and planned corrective actions:

District #1 Commissioner: We will implement procedures to correct this finding.

District #2 Commissioner: We will implement procedures to correct this finding.

District #3 Commissioner: We will review this matter and take steps to correct.

Finding 2009-22—Schools and Roads - Grant to States

PASS-THROUGH GRANTOR: Oklahoma State Treasurer

FEDERAL AGENCY: United States Department of Agriculture

CFDA NO: 10.665

FEDERAL PROGRAM NAME: Schools and Roads-Grants to States

FEDERAL AWARD YEAR: 2009

CONTROL CATEGORY: Procurement and Suspension and Debarment

QUESTIONED COSTS: \$0

Criteria: Circular A-133 § .300 (b) states that the auditee shall “maintain internal controls over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have material effect on each of its Federal programs.”

Condition: Of the 60 expenditures tested, 3 did not meet attributes for Compliance Requirement I – Procurement due to lack of proper documentation regarding detailed invoices and receiving reports.

Effect: This condition could result in unallowed federal costs, loss of federal funds, or not meeting project objectives.

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

Views of responsible officials and planned corrective actions:

District #1 Commissioner: We will implement procedures to correct this finding.

District #2 Commissioner: We will implement procedures to correct this finding.

District #3 Commissioner: We will review this matter and take steps to correct.

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Finding 2008-12—Schedule of Federal Expenditures

PASS-THROUGH GRANTOR: Oklahoma State Treasurer, State Department of Oklahoma Emergency Management

FEDERAL AGENCY: United States Department of Agriculture, Department of Homeland Security

CFDA NO: 10.665, 97.036

FEDERAL PROGRAM NAME: Schools and Roads-Grants to States, Disaster Grants - Public Assistance (Presidentially Declared Disasters)

FEDERAL AWARD YEAR: 2008

CONTROL CATEGORY: Activities Allowed, Allowable Costs, Cash Management, Matching, Level of Effort, Earmarking; Period of Availability; and Procurement.

QUESTIONED COSTS: \$-0-

Condition: Management has not implemented procedures and internal controls for the accurate and timely preparation of the Schedule of Expenditures of Federal Awards and the accompanying notes.

Corrective action plan: No corrective action was taken.

Finding 2008-13—Internal Controls over Major Programs

PASS-THROUGH GRANTOR: Oklahoma State Treasurer, State Department of Oklahoma Emergency Management

FEDERAL AGENCY: United States Department of Agriculture, Department of Homeland Security

CFDA NO: 10.665, 97.036

FEDERAL PROGRAM NAME: Schools and Roads-Grants to States, Disaster Grants - Public Assistance (Presidentially Declared Disasters)

FEDERAL AWARD YEAR: 2008

CONTROL CATEGORY: Activities Allowed, Allowable Costs, Cash Management, Matching, Level of Effort, Earmarking; Period of Availability; and Procurement.

QUESTIONED COSTS: \$-0-

Condition: During the process of documenting the County's internal controls regarding federal disbursements, we noted that McCurtain County has not established internal controls to ensure compliance with the following compliance requirements: Activities Allowed; Allowable Costs; Cash Management; Matching, Level of Effort, Earmarking; Period of Availability; and Procurement.

Corrective action plan: No corrective action taken.

**McCURTAIN COUNTY, OKLAHOMA
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Finding 2008-14—Interest Earned on Federal Funds

PASS-THROUGH GRANTOR: Oklahoma State Treasurer
FEDERAL AGENCY: United States Department of Agriculture
CFDA NO: 10.665
FEDERAL PROGRAM NAME: Schools and Roads-Grants to States
FEDERAL AWARD YEAR: 2008
CONTROL CATEGORY: Cash Management
QUESTIONED COSTS: \$4,456.57

Condition: McCurtain County does not maintain a ledger for interest earned on the Schools and Roads-Grants to States program. The County earned approximately \$4,456.57 on these funds during the fiscal year. The interest earned on the fund was apportioned to other funds.

Corrective action plan: No corrective action taken.

Finding 2008-15—Schools and Roads – Grant to States (Procurement)

PASS-THROUGH GRANTOR: Oklahoma State Treasurer
FEDERAL AGENCY: United States Department of Agriculture
CFDA NO: 10.665
FEDERAL PROGRAM NAME: Schools and Roads-Grants to States
FEDERAL AWARD YEAR: 2008
CONTROL CATEGORY: Procurement
QUESTIONED COSTS: \$71,528.90

Condition: Of the twenty seven (27) expenditures tested ten (10) did not meet attributes for Compliance Requirement I –Procurement due to not encumbering the cost of goods prior to purchasing. (Dollar amount not properly encumbered \$71,528.90)

Corrective action plan: No corrective action taken.

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Finding 2007-11—Internal Controls Over Federal Program

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

Condition: During interviews with management concerning the Schools and Roads-Grants to States Program, it was noted that officials do not have a clear understanding of allowable expenditures and procedures to monitor and return interest earned on grant funds.

Corrective Action Plan: No corrective action taken.

Finding 2007-13—Cash Management

PASS-THROUGH GRANTOR: Oklahoma State Treasurer
FEDERAL AGENCY: United States Department of Agriculture
CFDA NO: 10.665
FEDERAL PROGRAM NAME: Schools and Roads-Grants to States
FEDERAL AWARD YEAR: 2007
CONTROL CATEGORY: Cash Management
QUESTIONED COSTS: \$5,363.58

Condition: McCurtain County does not maintain a ledger for interest earned on the Schools and Roads-Grants to States Program. The County earned approximately, \$5,363.58 on these funds during the fiscal year. The interest earned on the fund was apportioned to other funds and not deposited with the Treasury of the United States.

Corrective Action Plan: We do not believe this finding warrants further action because the Federal agency or pass-through entity is not currently following up with the County on this finding.



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