

COUNTY AUDIT

MCCURTAIN COUNTY

For the fiscal year ended June 30, 2015



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



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

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

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



Oklahoma State Auditor & Inspector

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

July 20, 2017

TO THE CITIZENS OF
McCURTAIN COUNTY, OKLAHOMA

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

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

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

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

Sincerely,

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

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

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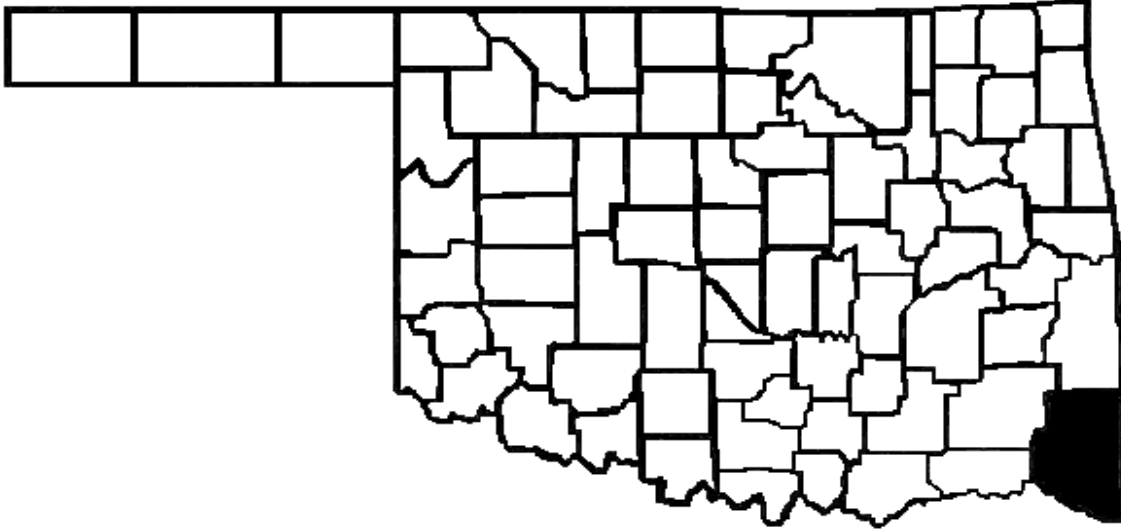
**McCURTAIN COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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INTRODUCTORY SECTION
UNAUDITED INFORMATION ON PAGES iii - viii
PRESENTED FOR INFORMATIONAL PURPOSES ONLY

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



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 20th century, and sold the land to Weyerhaeuser Company in 1969.

Weyerhaeuser is the largest employer and has a paper mill in Valliant. Other employers are Tyson Foods, Inc., a poultry processing plant; SETCO, a company that builds solid 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 – 33,050
(2014 est.)

Farms – 1,577

Land in Farms – 316,606 Acres

Primary Source: Oklahoma Almanac 2015-2016

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

Board of County Commissioners

District 1 – Jim Freeny
District 2 – Joe Coffman
District 3 – Jimmy Westbrook

County Assessor

Stan Lyles

County Clerk

Karen Bryan

County Sheriff

Scott McClain

County Treasurer

Linda Laster

Court Clerk

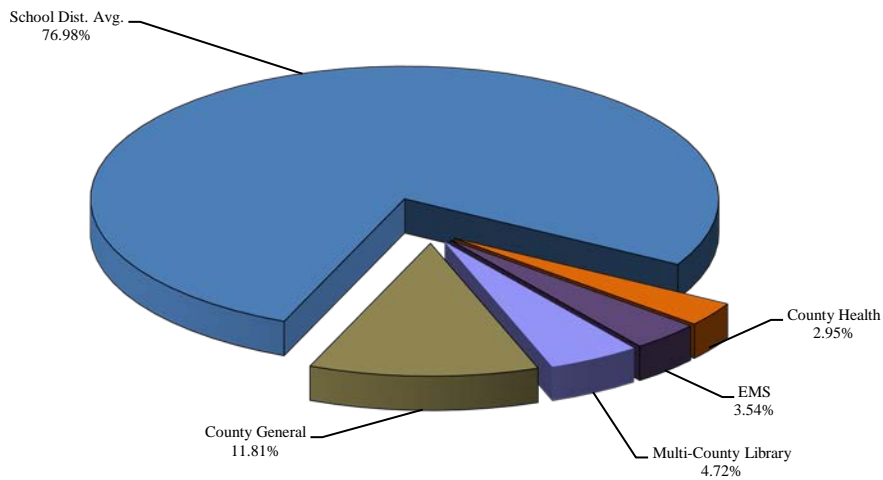
Vicki Justus

District Attorney

Mark Matloff

**McCURTAIN COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

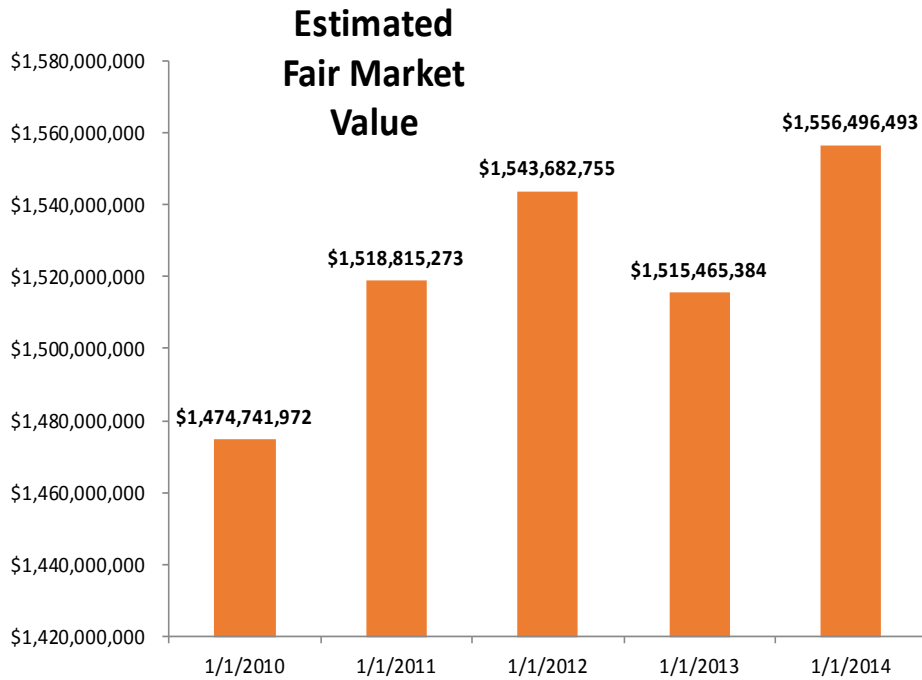
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the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



County-Wide Millages			School District Millages						
				Gen.	Bldg.	Skd.	Career Tech	Common	Total
County General	10.13								
County Health	2.53	Forest Grove	D-1	35.88	5.13	-	12.16	4.05	57.22
Multi-County Library	4.05	Idabel	I-5	35.63	5.09	20.85	12.16	4.05	77.78
EMS	3.04	Haworth	I-6	36.23	5.18	20.79	12.16	4.05	78.41
		Lukfata	D-9	35.70	5.10	7.01	12.16	4.05	64.02
		Valliant	I-11	35.14	5.02	7.47	12.16	4.05	63.84
		Eagletown	I-13	35.53	5.08	8.13	12.16	4.05	64.95
		Smithville	I-14	35.56	5.08	7.03	12.16	4.05	63.88
		Glover	D-23	35.88	5.13	16.86	12.16	4.05	74.08
		Denison	D-37	35.84	5.12	-	12.16	4.05	57.17
		Wright City	I-39	35.46	5.07	-	12.16	4.05	56.74
		Battiest	I-71	35.67	5.10	7.10	12.16	4.05	64.08
		Holly Creek	D-72	36.51	5.22	12.45	12.16	4.05	70.39
		Broken Bow	I-74	35.46	5.07	9.35	12.16	4.05	66.09

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

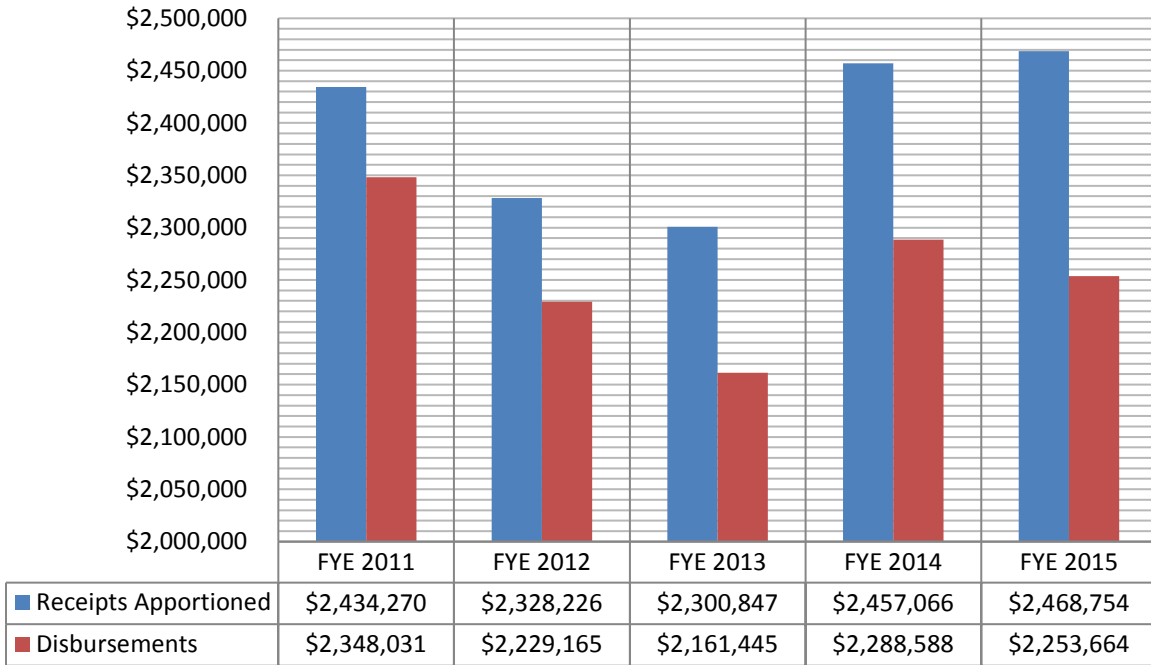
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2014	\$49,777,114	\$27,586,498	\$108,157,348	\$8,294,862	\$177,226,098	\$1,556,496,493
1/1/2013	\$48,934,126	\$26,798,250	\$104,866,377	\$8,328,702	\$172,270,051	\$1,515,465,384
1/1/2012	\$53,776,161	\$24,869,336	\$103,594,274	\$8,424,238	\$173,815,533	\$1,543,682,755
1/1/2011	\$54,647,833	\$23,853,858	\$100,494,918	\$8,489,349	\$170,507,260	\$1,518,815,273
1/1/2010	\$52,509,538	\$23,853,858	\$97,785,150	\$8,473,795	\$165,674,751	\$1,474,741,972



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

County General Fund

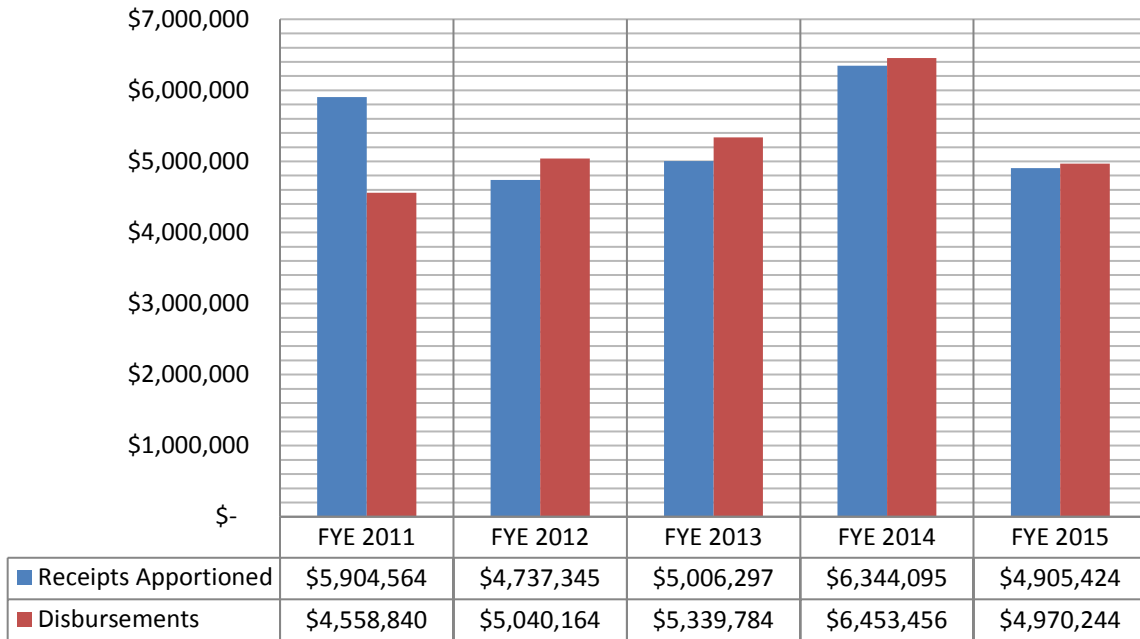
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also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



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

County Highway Fund

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



FINANCIAL SECTION



Oklahoma State Auditor & Inspector

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

Independent Auditor's Report

TO THE OFFICERS OF
McCURTAIN COUNTY, OKLAHOMA

Report on the Financial Statement

We have audited the combined total—all county funds on the accompanying regulatory basis Statement of Receipts, Disbursements, and Changes in Cash Balances of McCurtain County, Oklahoma, as of and for the year ended June 30, 2015, and the related notes to the financial statement, which collectively comprise the County's basic financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of McCurtain County as of June 30, 2015, or changes in its financial position for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash balances for all county funds of McCurtain County, for the year ended June 30, 2015, in accordance with the basis of accounting described in Note 1.

Other Matters

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 18, 2017, 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 in considering McCurtain County's internal control over financial reporting and compliance.

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

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

July 18, 2017

REGULATORY BASIS FINANCIAL STATEMENT

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

	Beginning Cash Balances July 1, 2014	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2015
Combing Information:						
Major Funds:						
County General Fund	\$ 571,896	\$ 2,468,754	\$ -	\$ 6,618	\$ 2,253,664	\$ 780,368
Highway Cash	1,334,001	4,905,424	-	4,717	4,970,244	1,264,464
Federal Forest	130,237	747	-	-	-	130,984
County Health Department	351,113	664,584	-	-	651,404	364,293
Hospital Authority	4,813	852,752	-	-	668,952	188,613
McCurtain County Tourism Authority	636,212	611,828	-	-	501,277	746,763
McCurtain County Fair Board	12,801	35,918	-	-	31,320	17,399
McCurtain County Volunteer Fire Department	1,215,461	776,379	-	-	712,080	1,279,760
McCurtain County Sheriff Office	173,491	760,160	-	-	851,130	82,521
Solid Waste	243,248	1,551,865	-	-	1,469,756	325,357
Use Tax	61,767	400,235	-	7,347	260,675	193,980
McCurtain County Jail Trust	1,414,426	1,554,034	4,717	-	1,514,688	1,458,489
CDBG	9,000	20,000	-	-	29,000	-
Remaining Aggregate Funds	398,379	1,081,847	13,965	-	1,048,728	445,463
Combined Total - All County Funds	\$ 6,556,845	\$ 15,684,527	\$ 18,682	\$ 18,682	\$ 14,962,918	\$ 7,278,454

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, 2015**

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

B. Fund Accounting

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

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

County General Fund – accounts for ad valorem, sales tax, officers' fees, interest earnings, and miscellaneous collections of the County. Disbursements are for the general operations of the County.

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

Federal Forest – accounts for Schools and Roads Program Title III funds held, a federal grant program for the purpose of performing activities under the Firewise Communities program and to reimburse for emergency services performed on national forests.

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

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

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.

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.

McCurtain County Fair Board – accounts for collection of sales tax funds to be used for the maintenance and operation of the fairgrounds.

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

McCurtain County Sheriff 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 maintenance and operation of a solid waste system.

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 to help the County develop comprehensive emergency management and for the operation of the County.

McCurtain County Jail Trust – accounts for sales tax funds to be used for the operating, equipping, staffing, and maintaining the McCurtain County Jail.

CDBG – accounts for federal funds received to be expended for the new cell expansion on the waterline improvements for McCurtain County Rural Water District 6 and McCurtain County Landfill.

C. Basis of Accounting

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

Title 19 O.S. § 171 specifies the format and presentation for Oklahoma counties to present their financial statement in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) or on a regulatory basis. The County has elected to present their financial statement on a regulatory basis in conformity with Title 19 O.S. § 171. County governments (primary only) are required to present their financial statements on a fund basis format

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

with, at a minimum, the general fund and all other county funds, which represent ten percent or greater of total county revenue. All other funds included in the audit shall be presented in the aggregate in a combining statement.

D. Budget

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

E. Cash and Investments

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

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

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

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

2. Ad Valorem Tax

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

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

in the individual visual inspection of all taxable property within the county at least once each four (4) years."

Taxes are due on November 1 following the levy date, although they may be paid in two equal installments. If the first half is paid prior to January 15, 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.

3. Other Information

A. Pension Plan

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

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

B. Other Post Employment Benefits (OPEB)

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

C. Contingent Liabilities

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

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

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

D. Sales Tax

The voters of McCurtain County approved a permanent one-half percent (1/2%) sales tax effective August 27, 1991. This sales tax was established to provide revenue for the maintenance and operation of a solid waste system. These funds are accounted for in the Solid Waste fund.

On November 9, 1999, the voters of McCurtain County approved a permanent one-half percent (1/2%) sales tax effective January 1, 2000. This sales tax was established to provide revenue to operate, equip, staff, and maintain the McCurtain County Jail. These funds are accounted for in the McCurtain County Jail Trust fund.

The voters of McCurtain County approved a permanent one-quarter percent (1/4%) sales tax effective January 1, 2000. This sales tax was established to provide revenue to staff and maintain the McCurtain County Sheriff's Department. These funds are accounted for in the McCurtain County Sheriff Office fund.

The voters of McCurtain County approved a permanent one-quarter percent (1/4%) sales tax effective January 1, 2007. This sales tax was established to provide revenue for the fire protection of the county fire departments located in the following communities: Battiest, Bethel, Broken Bow, Eagletown, Garvin, Haworth, Hochatown, Holly Creek, Idabel, Millerton, Pickens, Pine Creek, Ringold, Rufe, Sherwood, Shinewell, Smithville, Tom, Valliant, Watson, and Wright City. These funds are accounted for in the McCurtain County Volunteer Fire Department fund.

The voters of McCurtain County approved a permanent renewal of a three percent (3%) excise tax upon public lodging receipts effective June 26, 2012. This excise tax was established to provide revenue for the promotion and development of tourism and recreational activities for McCurtain County Tourism Authority and to provide revenue for administrative costs for the McCurtain County General Fund and to provide revenue for the McCurtain County Fair Board. These funds are accounted for in the McCurtain County Tourism Authority fund, County General Fund, and McCurtain County Fair Board fund.

The voters of McCurtain County approved a one-fourth of one percent (1/4%) excise tax which shall be used by the McCurtain County Hospital Authority effective April 1, 2014, to be in effect for three years. This excise tax was established to purchase equipment and/or other capital improvements for the Hospital Authority, pay the principal and interest incurred to finance the purchase of equipment and/or capital improvements for the Hospital Authority, including supplies, capital equipment and labor, pay for the cost of the annual independent audit of the accounting records of the Hospital Authority, and maintain the property of the McCurtain County Hospital Authority, and to assist McCurtain Memorial Medical Management, Inc., with supplies utilities, medications, insurance, and equipment maintenance contracts, but these funds may not be used for salaries, employee benefits, bonuses, employee travel, payroll taxes and expenses, or vehicles. These funds are accounted for in the Hospital Authority fund.

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

E. Interfund Transfers

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

- \$2,508 into McCurtain County Landfill fund from Use Tax fund. The interfund loan was not repaid to the Use Tax fund within the current year.
- \$4,839 into McCurtain County Landfill fund from Use Tax fund. The interfund loan was not repaid to the Use Tax fund within the current year.
- \$2,973 into McCurtain County Landfill fund from County General Fund. The interfund loan was not repaid to the County General Fund within the current year.
- \$3,645 into McCurtain County Landfill fund from County General Fund. The interfund loan was not repaid to the County General Fund within the current year.
- \$4,717 into McCurtain County Jail Trust fund from Highway Cash fund. The interfund loan was not repaid to the Highway Cash fund within the current year.

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, 2015

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 571,896	\$ 571,896	\$ -
Less: Prior Year Outstanding Warrants	(14,936)	(11,838)	3,098
Less: Prior Year Encumbrances	(103,270)	(103,270)	-
Beginning Cash Balances, Budgetary Basis	<u>453,690</u>	<u>456,788</u>	<u>3,098</u>
Receipts:			
Ad Valorem Taxes	1,632,091	1,750,410	118,319
Charges for Services	94,743	123,596	28,853
Intergovernmental Revenues	523,586	565,351	41,765
Miscellaneous Revenues	24,786	29,397	4,611
Total Receipts, Budgetary Basis	<u>2,275,206</u>	<u>2,468,754</u>	<u>193,548</u>
Expenditures:			
District Attorney	7,505	7,130	375
County Sheriff	284,000	282,679	1,321
County Treasurer	138,461	137,349	1,112
County Commissioner	227,530	174,097	53,433
OSU Extension	118,549	88,087	30,462
County Clerk	202,638	202,489	149
Court Clerk	129,366	126,617	2,749
County Assessor	159,661	155,303	4,358
Revaluation of Real Property	246,923	230,710	16,213
Juvenile Shelter Bureau	48,700	46,214	2,486
General Government	461,945	184,529	277,416
Excise-Equalization Board	21,700	12,440	9,260
County Election Board	116,165	90,278	25,887
Insurance - Benefits	485,290	429,310	55,980
Charity	6,000	3,514	2,486
County Audit Budget Account	59,458	20,868	38,590
Free Fair Budget Account	10,005	8,576	1,429
Provision for Interest on Warrants	5,000	2,044	2,956
Total Expenditures, Budgetary Basis	<u>2,728,896</u>	<u>2,202,234</u>	<u>526,662</u>

Continued on next page

McCURTAIN COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
GENERAL FUND - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	General Fund		
	Budget	Actual	Variance
Continued from previous page			
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	723,308	\$ 723,308
Operating Transfers:			
Transfers Out		(6,618)	
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		543	
Add: Current Year Outstanding Warrants		8,571	
Add: Current Year Encumbrances		54,564	
Ending Cash Balance		\$ 780,368	

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, 2015

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 351,113	\$ 351,113	\$ -
Less: Prior Year Outstanding Warrants	(19,952)	(19,952)	-
Less: Prior Year Encumbrances	(51,443)	(51,275)	168
Beginning Cash Balances, Budgetary Basis	279,718	279,886	168
Receipts:			
Ad Valorem Taxes	407,620	437,026	29,406
Intergovernmental Revenues	187,937	227,558	39,621
Total Receipts, Budgetary Basis	595,557	664,584	69,027
Expenditures:			
Health and Welfare	875,275	628,917	246,358
Total Expenditures, Budgetary Basis	875,275	628,917	246,358
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	315,553	\$ 315,553
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		7,244	
Add: Current Year Outstanding Warrants		41,496	
Ending Cash Balance		\$ 364,293	

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

	Beginning Cash Balances July 1, 2014	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2015
Remaining Aggregate Funds:						
Assessor Revolving	\$ 282	\$ 971	\$ -	\$ -	\$ 1,005	\$ 248
County Clerk Lien Fee	7,059	9,497	-	-	13,974	2,582
County Clerk Preservation	9,827	33,143	-	-	24,380	18,590
Sheriff Confiscated Drug Fund	1,756	-	-	-	-	1,756
Pine Creek Patrol	8,372	11,393	-	-	11,299	8,466
Sheriff Service Fee	134,993	320,974	-	-	277,894	178,073
McCurtain County Landfill	42,486	148,426	13,965	-	204,542	335
Treasurer Mortgage Tax Certification Fee	15,428	5,800	-	-	134	21,094
Resale Payroll	35,512	75,000	-	-	74,645	35,867
Resale Property	118,646	240,253	-	-	198,170	160,729
K-8025	-	15,000	-	-	15,000	-
K-9026	-	7,840	-	-	7,840	-
Court Clerk Payroll	15,796	212,550	-	-	219,845	8,501
Court Clerk OBF Grant Award	8,222	-	-	-	-	8,222
Local Emergency Planning	-	1,000	-	-	-	1,000
Combined Total - Remaining Aggregate Funds	\$ 398,379	\$ 1,081,847	\$ 13,965	\$ -	\$ 1,048,728	\$ 445,463

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

1. Budgetary Schedules

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

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

2. Remaining County Funds

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

Assessor Revolving – accounts for the collection of fees for copies as restricted by state statute.

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

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

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

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

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

McCurtain County Landfill – accounts for monies received from the collection of land fill usage fees and the disbursement of funds for the environmental safety and operation of the land fill.

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 state statute.

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

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

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

K-8025 – accounts for state funds to be expended for a rural waterline for McCurtain County Rural Water District 8.

K-9026 – accounts for state funds to be expended for the purchase of equipment for the Bethel Volunteer Fire Department.

Court Clerk Payroll – accounts for funds deposited by the Court Clerk to be used for payroll for that office.

Court Clerk OBF Grant Award – accounts for funds received from the Oklahoma Bar Association for the purchase of video equipment to be used in the courtroom.

Local Emergency Planning – accounts for funds from the Oklahoma Department of Environmental Quality for the operation of the volunteer fire departments.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through the Oklahoma State Treasurer:			
Schools and Roads - Grants to States	10.665		\$ 320,602
Total U.S. Department of Agriculture			<u>320,602</u>
U.S. DEPARTMENT OF COMMERCE			
Passed Through the Oklahoma Department of Commerce:			
Community Development Block Grant			
State's program and Non-Entitlement Grants in Hawaii	14.228	15306	20,000
Total U.S. Department of Commerce			<u>20,000</u>
U.S. DEPARTMENT OF INTERIOR			
Direct Grants:			
Payments Lieu of Taxes	15.226		196,039
Total U.S. Department of Interior			<u>196,039</u>
U.S. DEPARTMENT OF JUSTICE			
Passed Through the Oklahoma State District Attorneys Council:			
Violence Against Women Formula Grants	16.588	V13-010	31,647
Violence Against Women Formula Grants	16.588	V14-038	38,667
Total U.S. Department of Justice			<u>70,314</u>
U.S. DEPARTMENT OF LABOR			
Passed Through Oklahoma State Employment Security Commission:			
Unemployment Insurance	17.225		130
Total U.S. Department of Labor			<u>130</u>
Total Expenditures of Federal Awards			<u>\$ 607,085</u>

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

Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of 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*.

INTERNAL CONTROL AND COMPLIANCE SECTION



Oklahoma State Auditor & Inspector

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

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

TO THE OFFICERS OF
McCURTAIN COUNTY, OKLAHOMA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined total—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of McCurtain County, Oklahoma, as of and for the year ended June 30, 2015, and the related notes to the financial statement, which collectively 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 July 18, 2017.

Our report included an adverse opinion on the financial statement because the statement is prepared using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County for the year ended June 30, 2015, on the basis of accounting prescribed by Oklahoma state law, described in Note 1.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered McCurtain County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of McCurtain County's internal control. Accordingly, we do not express an opinion on the effectiveness of McCurtain County's internal control.

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

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

deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses: 2015-1, 2015-3, 2015-4, 2015-5, 2015-6, 2015-7, 2015-8, and 2015-10.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency: 2015-02.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether McCurtain County's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2015-10.

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

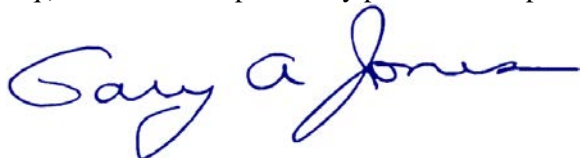
McCurtain County's Responses to Findings

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

Purpose of this Report

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

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



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

July 18, 2017



Oklahoma State Auditor & Inspector

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

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

TO THE OFFICERS OF
McCURTAIN COUNTY, OKLAHOMA

Report on Compliance for Each Major Program

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 McCurtain County's major federal programs for the year ended June 30, 2015. McCurtain County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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 2015-27, in the accompanying schedule of findings and questioned costs, McCurtain County did not comply with requirements regarding Cash Management 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.

Opinion on Each Major Federal Program

In our opinion, except for the noncompliance described in the preceding paragraph, the County, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2015.

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 2015-25 and 2015-26 to be material weaknesses.

Other Matters

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, and is not intended to be and should not be used by anyone other than the specified parties. This report is also a public document pursuant to the Oklahoma Open Records Act (51 O.S., section 24A.1 et seq.), and shall be open to any person for inspection and copying.



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

July 18, 2017

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

SECTION 1—Summary of Auditor’s Results

Financial Statements

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

Internal control over financial reporting:

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

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

Federal Awards

Internal control over major programs:

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

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

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

Identification of Major Programs

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

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

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

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

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

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

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

Cause of Condition: Policies and procedures have not been designed and implemented to address the Control Environment, Risk Assessment, Information and Communication, and Monitoring of the County. The County was not fully aware of the benefits gained by the implementation of procedures regarding the Control Environment, Risk Assessment, Information and Communication, and Monitoring as it relates to the strengthening of its internal control structure.

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

Recommendation: The Oklahoma State Auditor & Inspector's Office (OSAI) recommends that the County design procedures to establish internal controls, identify and address risks, and to ensure that information is communicated effectively. OSAI also recommends that the County design monitoring procedures to assess the quality of performance over time. These procedures should be written policies and procedures and could be included in the County's policies and procedures handbook.

Management Response:

Chairman Board of County Commissioners: We are taking steps to correct the findings in this report by improving our communication, monitoring efforts, and risk assessment.

County Treasurer: I am taking steps to correct this finding for communication, monitoring and risk assessment.

County Clerk: I will correct these issues by adding them to our written policies and procedures handbook.

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

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

Control Environment is a component of internal control which should establish and maintain an environment throughout the organization that sets a positive and supportive attitude toward internal control and conscientious management.

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

Information and Communication is a component of internal control in which information should be recorded and communicated to management and others within the County who need it and in a form and within a time frame that enables them to carry out their internal control and other responsibilities. For a County to run and control its operations, it must have relevant, reliable, and timely communications relating to internal as well as external events. Information is needed throughout the County to achieve all of its objectives.

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

Finding 2015-2 – Lack of Disaster Recovery Plan (Repeat Finding)

Condition: Upon inquiry, the following offices do not have a Disaster Recovery Plan:

- County Treasurer
- County Clerk

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

Effect of Condition: The failure to have a formal Disaster Recovery Plan could result in the County being unable to function in the event of a disaster. The lack of a formal plan could cause significant problems in ensuring County business could continue uninterrupted. These conditions could also result in the loss of data, and the unreliability of data.

Recommendation: OSAI recommends the County officials develop a Disaster Recovery Plan that addresses how critical information and systems within their offices would be restored in the event of a disaster.

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

Management Response:

County Treasurer: I will work on developing the Disaster Recovery Plan and have it ready for the next audit.

County Clerk: The Disaster Recovery Plan for my office is currently being created and then it will be implemented.

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

According to the standards of the Information Systems Audit and Control Association (CobiT Delivery and Support 4), information services function management should ensure that a written Disaster Recovery Plan is documented and contains the following:

- Guidelines on how to use the recovery plan;
- Emergency procedures to ensure the safety of all affected staff members;
- Roles and responsibilities of information services function, vendors providing recovery services, users of services and support administrative personnel;
- Listing of systems requiring alternatives (hardware, peripherals, software);
- Listing of highest to lowest priority applications, required recovery times and expected performance norms;
- Various recovery scenarios from minor to loss of total capability and response to each in sufficient detail for step by step execution;
- Training and/or awareness of individual and group roles in continuing plan;
- Listing of contracted service providers;
- Logistical information on location of key resources, including back-up site for recovery operating system, applications, data files, operating manuals, and program/system/user documentation;
- Current names, addresses, telephone numbers of key personnel;
- Business resumption alternatives for all users for establishing alternative work locations once IT services are available.

Finding 2015-3 – Inadequate Internal Controls Over Information Technology (Repeat Finding)

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

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

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

Recommendation: The County Treasurer and County Clerk's office should comply with best practices presented in the criteria. The specifics of the recommendation have been sanitized to protect the County pursuant to the provision of 51 O.S. § 24A.28.

Management Response:

County Treasurer: We have taken proper steps to correct issues.

County Clerk: We are in the process of correcting this issue.

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

Finding 2015-4 – Inadequate Segregation of Duties in the County Treasurer's Office (Repeat Finding)

Condition: A concentration of duties exists in the County Treasurer's office because one person receives monies, issues receipts, reconciles monies to the receipts issued, performs reconciliations on the general bank account, and reconciles the general ledger to the daily report and monthly report.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure adequate segregation of duties in the County Treasurer's office.

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

Recommendation: OSAI recommends that management be aware of these conditions and realize that a 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 oversight of office operations and a periodic review of operations. OSAI recommends that 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 risk involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office, and having management review and approval of accounting functions.

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OSAI recommends the following key accounting functions of the County Treasurer's office be adequately segregated:

- Issuing receipts.
- Preparing/reviewing deposits and taking them to the bank.
- Maintaining accounting ledgers and reconciling bank statements.

Management Response:

County Treasurer: I am aware of these conditions, however; we do not have the personnel to segregate all duties.

Auditor Response: Duties should be properly segregated or compensating controls should be implemented to mitigate the risk involved with a concentration of duties.

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

Finding 2015-5 – Inadequate Segregation of Duties Over the Purchasing Process (Repeat Finding)

Condition: Upon inquiry and observation of the County's purchasing process, it was noted that the Purchasing Deputy prepares purchase orders, encumbers purchase orders, approves/authorizes the encumbrance, reviews the purchase order for accuracy, prepares the warrants, maintains ledgers, distributes checks, and has access to make changes within the purchasing system.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure adequate segregation of duties in the County Clerk's office with regard to the purchasing process.

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

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

OSAI recommends management take steps to adequately segregate the following key accounting functions:

- Preparing purchase orders.
- Encumbering purchase orders.
- Printing warrants.

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- Distributing warrants.

Management Response:

County Clerk: I will implement compensating controls to mitigate the risks involved with a concentration of duties in purchasing.

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

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

Condition: The Payroll Clerk enrolls new employees, inputs payroll information into the system, 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, and distributes payroll warrants.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure adequate segregation of duties in the County Clerk's office with regard to the payroll process.

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

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

OSAI recommends management take steps to adequately segregate the following key accounting functions:

- Enrolling new employees and maintaining personnel files.
- Reviewing time records and preparing payroll.
- Distributing payroll warrants to individuals.

Management Response:

County Clerk: I will implement compensating controls to mitigate the risks involved with a concentration of duties in 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 allow for prevention and detection of errors and abuse. To help

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

Finding 2015-7 – Inadequate Internal Controls and Noncompliance Over Signature Stamp – County Commissioner District 3 (Repeat Finding)

Condition: Upon inquiry, observation, and review of documents, we noted the following internal control weaknesses with regard to purchasing procedures:

- The District 3 Commissioner’s signature stamp is not on file with the Oklahoma Secretary of State.
- The signature stamp for County Commissioner District 3 is retained in the County Commissioner’s vault under the physical control of the Board of County Commissioners’ secretary.

Cause of Condition: Management has not registered the signature stamp with the Oklahoma Secretary of State. Also, policies and procedures have not been designed to safeguard the signature stamp from unauthorized use.

Effect of Condition: This condition resulted in noncompliance with state statute and could result in unauthorized transactions and misappropriation of funds.

Recommendation: OSAI recommends signature stamps be adequately safeguarded from unauthorized use and filed with the Oklahoma Secretary of State.

Management Response:

County Commissioner District 3: I will take proper action to register my stamp with the Oklahoma Secretary of State. I will also keep the stamp in my possession to be in compliance with all laws and regulations.

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

Title 62 O.S. § 602 requires any authorized officer to file his manual signature, certified by him under oath, with the Oklahoma Secretary of State for his facsimile signature to have the same legal effect as his manual signature.

Finding 2015-8 – Reconciliation of Appropriation Ledger to General Ledger (Repeat Finding)

Condition: Based on our documentation of controls, reconciliations are not performed between the County Clerk’s appropriation ledger and the County Treasurer’s general ledger.

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

Effect of Condition: This condition could result in unrecorded transactions and undetected errors.

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

Management Response:

County Clerk: The County Clerk Deputy receives a monthly report from the County Treasurer's office. This report is then reconciled by checking each fund. If an error is found in the appropriation ledger or treasurer monthly report due to an unrecorded transaction or undetected error, the records are checked and compared to detect the incorrect balancing between the two offices. Then there will be the correction made to reconcile. I will have to check, review, and approve the balances. Documentation will be in the County Clerk's appropriation ledger and a copy (if needed) given to the County Treasurer.

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

Finding 2015-10 – Inadequate Internal Controls and Noncompliance Over Disbursements (Repeat Finding)

Condition: Of seventy-eight (78) disbursements tested, the following exceptions were noted:

- Three (3) disbursements were not supported by adequate documentation due to lack of receiving reports.
- Fourteen (14) disbursements were not timely encumbered.

Cause of Condition: The County did not follow the policies and procedures designed by state statutes regarding the purchasing process.

Effect of Condition: These conditions resulted in noncompliance with state statute and could result in unrecorded transaction, undetected errors, and misappropriation of funds, inaccurate records, and incomplete information.

Recommendation: OSAI recommends that the County implement internal control procedures to ensure compliance with purchasing guidelines. Adequate supporting documentation should be attached to the

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purchase order. This includes invoices, haul tickets, and receiving reports. Purchase orders should be encumbered before goods or services are ordered.

Management Response:

County Commissioner District 1: We will strive to follow the policies and procedures regarding encumbering, and submitting the purchase orders.

County Commissioner District 2: I will review purchase orders more closely to make sure that we are in compliance with state statute.

County Commissioner District 3: As leaders of our County, we will implement rules and educate employees about the proper purchasing procedures. We were better this year than last year, and will continue to get better.

County Clerk: I will take appropriate action to correct these findings according to state statutes.

County Treasurer: I will take appropriate measures to correct these findings according to state statutes.

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

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

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

Finding 2015-25 – Inadequate County-Wide Controls Over Major Program – Schools and Roads (Repeat Finding)

PASS-THROUGH GRANTOR: Oklahoma State Treasurer

FEDERAL AGENCY: U.S. Department of Agriculture

CFDA NO: 10.665

FEDERAL PROGRAM NAME: Schools and Roads – Grants to States

FEDERAL AWARD YEAR: 2015

CONTROL CATEGORY: Activities Allowed/Unallowed, Allowable Costs/Cost Principles, Cash Management, and Procurement and Suspension and Debarment

QUESTIONED COSTS: \$-0-

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

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

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

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

Chairman Board of County Commissioners: The BOCC pLan to further develop and implement procedures to ensure compliance with grant requirements.

County Treasurer: I will develop and implement procedures to ensure compliance with grant requirements.

County Clerk: I will take steps to implement the correct procedures to ensure compliance with grant requirements.

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

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

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

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

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

Finding 2015-26 – Inadequate Internal Controls Activities Over Major Federal Program – Schools and Roads (Repeat Finding)

PASS-THROUGH GRANTOR: Oklahoma State Treasurer

FEDERAL AGENCY: U.S. Department of Agriculture

CFDA NO: 10.665

FEDERAL PROGRAM NAME: Schools and Roads – Grants to States

FEDERAL AWARD YEAR: 2015

CONTROL CATEGORY: Activities Allowed/Unallowed, Allowable Costs/Cost Principles, Cash Management and Procurement and Suspension and Debarment

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 requirement: Activities Allowed, Allowable Costs/Cost Principles, Cash Management, and Procurement and Suspension and Debarment.

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

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

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

Chairman Board of County Commissioners: The BOCC plan to develop and implement procedures to ensure compliance with grant requirements.

County Treasurer: I will develop and implement procedures to ensure compliance with grants.

**McCURTAIN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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County Clerk: I will develop and implement correct procedures to ensure compliance with the grants.

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

Subpart C—Auditees

§___.300 Auditee responsibilities.

The auditee shall:

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

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

Finding 2015-27 – Noncompliance Over Cash Management (Repeat Finding)

PASS-THROUGH GRANTOR: Oklahoma State Treasurer

FEDERAL AGENCY: U.S. Department of Agriculture

CFDA NO: 10.665

FEDERAL PROGRAM NAME: Schools and Roads-Grants to States

FEDERAL AWARD YEAR: 2015

CONTROL CATEGORY: Cash Management

QUESTIONED COSTS: \$-0-

Condition: Program costs for Title II monies totaling \$89,902 were not paid for with entity funds before reimbursement was requested. Also, interest approximately totaling \$926 was not submitted to the grantor agency.

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

Effect of Condition: The County may owe the federal agencies interest on advances 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 program costs reimbursement and interest earned on Schools and Roads - Grants to State funds.

Chairman Board of County Commissioners: The BOCC will develop and implement procedures to ensure all guidelines are followed.

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

County Treasurer: I will implement procedures to make sure the County is in compliance and submit the interest to the grantor.

County Clerk: I will take steps to design and ensure the County is in compliance with grant requirements.

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

Subpart C—Auditees

§___.300 Auditee responsibilities.

The auditee shall:

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

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.

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

Finding 2015-14 – Inadequate Segregation of Duties Over Court Clerk Court Fund and Court Clerk Revolving Fund (Repeat Finding)

Condition: A concentration of duties exists in the Court Clerk’s office due to the following:

Receipts/Deposits:

- All employees receive monies, issue receipts, and reconcile their cash drawer.
- All employees rotate the duties of reconciling total receipts to the deposit ticket and taking the deposit to the Treasurer.

Disbursements/Reconciling:

- For the Court Fund, the Court Clerk performs the duties of preparing claims, issues vouchers, approves vouchers and claims, prepares reports, and reconciling with the County Treasurer.
- For the Court Clerk Revolving Fund, the Court Clerk performs the duties of preparing claims, approving claims, preparing reports, and reconciling with the County Treasurer.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure adequate segregation of duties in the Court Clerk’s office.

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

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

Recommendation: OSAI recommends that management be aware of these conditions and realize that a 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 oversight of office operations and a periodic review of operations. OSAI recommends that 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 risk involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office, and having management review and approval of accounting functions.

OSAI recommends the following key accounting functions of the Court Clerk's office be adequately segregated:

- Issuing receipts.
- Preparing/reviewing deposits and taking them to the County Treasurer.
- Maintaining accounting ledgers and reconciling to the County Treasurer.

Management Response:

Court Clerk: Due to limited personnel I will try to implement mitigating controls addressing these issues. Also, I will train another employee to assist with the Court Fund and Revolving Fund.

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

Finding 2015-16 – Inadequate Internal Controls Over Court Clerk Reconciliation of District Court Case Balance Summary (Repeat Finding)

Condition: While performing a reconciliation of the District Court Fund, we noted the following:

- There is no documentation of the reconciliation of the Court Clerk's District Court Case Balance Summary Report to the reconciliation of the Court Clerk's District Court Case Balance Summary Report to the County Treasurer's official depository ledger.
- A variance of \$9,579 was noted when comparing the Court Clerk's District Court Case Balance Summary Report to the County Treasurer's official depository ledger.

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

Cause of Condition: Policies and procedures regarding a monthly reconciliation have not been designed and implemented to ensure the Court Clerk's reports reconcile to the County Treasurer's official depository ledger.

Effect of Condition: This condition could result in unrecorded transactions, undetected errors, misappropriation of funds, or clerical errors that are not detected in a timely manner.

Recommendation: OSAI recommends that the Court Clerk's District Court Case Balance Summary Report be reconciled monthly to the County Treasurer's official depository ledger, and documentation of this process maintained.

Management Response:

Court Clerk: I will begin reconciling the District Court Case Balances with County Treasurer.

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

Finding 2015-17 – Inadequate Internal Controls and Noncompliance Over Fixed Assets Records (Repeat Finding)

Condition: While gaining an understanding of internal controls and testing compliance with state statutes over fixed assets, we noted the following:

- The County has not set forth procedures to perform and document an annual physical inventory to ensure compliance with 19 O.S. § 178.1 and 178.2 for the following offices: Commissioner District 1, County Commissioner District 2, County Commissioner District 3, County Clerk, County Treasurer, County Assessor, County Sheriff, Health Department, Broken Bow, Eagletown, Garvin, Hochatown, Hollycreek, Idabel, Millerton, Pickens, Valliant, Watson, and Wright City Volunteer Fire Departments, Emergency Management, and Solid Waste.

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

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

Recommendation: OSAI recommends the County adopt policies and procedures to implement a system of internal controls over the fixed assets inventory records. These controls would include that all offices:

- Perform an annual inventory count.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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- Retain documentation to verify the physical inventory counts were performed.
- Perform inventory verification by someone other than the receiving officer or inventory officer.
- File inventory list with the County Clerk annually.

Management Response:

County Commissioner District 1: District 1 will perform an annual inventory count of all fixed assets and document it. This will be performed by an officer and a non-inventory officer, and a list will be given to the County Clerk's office.

County Commissioner District 2: We will send an up-to-date inventory list to the County Clerk's office.

County Commissioner District 3: We will make every effort to correct this finding.

County Clerk: I will prepare a list of the County Clerk's fixed assets and file it in the County Clerk's office.

County Treasurer: I will make a list and file with the County Clerk's office.

County Sheriff: I will make a list of the McCurtain County Sheriff's office fixed assets and file it in the County Clerk's office.

County Assessor: I will prepare a list of all fixed assets and file it with the County Clerk's office.

Criteria: Title 19 O.S. § 178.1 states in part, "The board of county commissioners in each county of this state shall take, or cause to be taken, an inventory of all working tools, apparatus, machinery and equipment belonging to the county or leased or otherwise let to it or to any department thereof, other than that which is affixed to and made a part of lands and buildings, the cost of which as to each complete working unit thereof is more than Five Hundred Dollars (\$500.00), and therefore maintain or cause to be maintained a continuous inventory record thereof and of like tools, apparatus, machinery and equipment purchased, leased, or otherwise coming into custody of the county or of any office, board, department, commission or any either thereof, and the disposition thereof whether sold, exchanged, leased, or let where authorized by statute, junked, strayed or stolen, and annually thereafter..."

Title 19 O.S. § 178.2 states, "It shall be and is hereby made the duty of every county officer, board, commission, or department, and by record directive of the board of county commissioners may be made the duty of any employee of the board of county commissioners subject to summary discharge and removal by the board, to conform in all respects and be amenable to all uniform resolutions adopted by their respective boards of county commissioners directing the taking, recording, maintaining and reporting inventories of properties in their respective custody in accordance with the provisions of this act. It shall be the duty and responsibility of each elected county official to create and maintain inventory records of said office. Such inventory shall be filed with the county clerk."

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Furthermore, an important aspect of internal control is the safeguarding of assets. Internal controls over safeguarding of assets constitute a process affected by an entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the entities fixed assets inventory, and safeguarding fixed assets inventory from loss, damage, or misappropriation.

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

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

Finding 2014-19 – Inadequate County-Wide Controls Over Federal Programs – CDBG

PASS THROUGH GRANTOR: Oklahoma Department of Commerce

FEDERAL AGENCY: U.S. Department of Housing and Urban Development

CFDA NO: 14.228

FEDERAL PROGRAM NAME: Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii

FEDERAL AWARD NUMBER: 14580 CDBG 10 and 15306 CDBG 05

FEDERAL AWARD YEAR: 2014

CONTROL CATEGORY: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Period of Availability of Federal Funds, and Procurement and Suspension and Debarment, and Reporting

QUESTIONED COSTS: \$-0-

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

Status: No corrective action has been taken.

Finding 2014-20 – Inadequate Internal Controls Over Major Federal Programs – CDBG

PASS THROUGH GRANTOR: Oklahoma Department of Commerce

FEDERAL AGENCY: U.S. Department of Housing and Urban Development

CFDA NO: 14.228

FEDERAL PROGRAM NAME: Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii

FEDERAL AWARD NUMBER: 14580 CDBG 10 and 15306 CDBG 05

FEDERAL AWARD YEAR: 2014

CONTROL CATEGORY: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Period of Availability of Federal Funds, and Procurement and Suspension and Debarment, and Reporting

QUESTIONED COSTS: \$-0-

Finding Summary: 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/Unallowed; Allowable Costs/Cost Principles; Cash Management; Period of Availability of Federal Funds; Procurement and Suspension and Debarment.

Status: No corrective action has been taken.

Finding 2014-21 – Inadequate Internal Controls Over Information Technology– CDBG

PASS THROUGH GRANTOR: Oklahoma Department of Commerce

FEDERAL AGENCY: U.S. Department of Housing and Urban Development

CFDA NO: 14.228

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

FEDERAL PROGRAM NAME: Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii

FEDERAL AWARD NUMBER: 14580 CDBG 10 and 15306 CDBG 05

FEDERAL AWARD YEAR: 2014

CONTROL CATEGORY: Reporting

QUESTIONED COSTS: \$-0-

Finding Summary: While gaining an understanding of the website system utilized to facilitate county grant programs it was noted that there does not appear to be adequate controls in place to safeguard data from unauthorized modification, loss, or disclosure. The Agency Administrator (County Commissioner District 3) allows the CDBG Sub-State Planning District representative to utilize the Agency Administrator username and password to create and approve documents and reports for the CDBG program. Also, the Sub-State Planning District Field Representative performs the required password changes every 90 days. The Agency Administrator access is not limited to the CDBG program, and can be utilized to access grants from multiple state agencies.

Status: No corrective action has been taken.

Finding 2014-22 – Inadequate Internal Controls Over Cash Management – CDBG

PASS THROUGH GRANTOR: Oklahoma Department of Commerce

FEDERAL AGENCY: U.S. Department of Housing and Urban Development

CFDA NO: 14.228

FEDERAL PROGRAM NAME: Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii

FEDERAL AWARD NUMBER: 14580 CDBG 10 and 15306 CDBG 05

FEDERAL AWARD YEAR: 2014

CONTROL CATEGORY: Cash Management

QUESTIONED COSTS: \$-0-

Finding Summary: Funds received were not disbursed within the 15 day requirement period. There were two (2) expenditures totaling \$36,774 that did not meet this requirement set forth in the approved grant agreement.

Status: No corrective action has been taken.

Finding 2014-24 – Inadequate Internal Controls Over Reporting – CDBG

PASS THROUGH GRANTOR: Oklahoma Department of Commerce

FEDERAL AGENCY: U.S. Department of Housing and Urban Development

CFDA NO: 14.228

FEDERAL PROGRAM NAME: Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii

FEDERAL AWARD NUMBER: 14580 CDBG 10 and 15306 CDBG 05

FEDERAL AWARD YEAR: 2014

CONTROL CATEGORY: Reporting

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

QUESTIONED COSTS: \$-0-

Finding Summary: Three (3) expenditure reports totaling \$386,367 were not submitted and received by the Oklahoma Department of Commerce by the 10th of the month, following the receipt/expenditure of funds.

Status: No corrective action has been taken.

Finding 2014-25 – Inadequate County-Wide Controls Over Major Program – Schools and Roads (Repeat Finding)

PASS-THROUGH GRANTOR: Oklahoma State Treasurer

FEDERAL AGENCY: U.S. Department of Agriculture

CFDA NO: 10.665

FEDERAL PROGRAM NAME: Schools and Roads – Grants to States

FEDERAL AWARD YEAR: 2014

CONTROL CATEGORY: Activities Allowed/Unallowed, Allowable Costs/Cost Principles, Cash Management, and Procurement and Suspension and Debarment

QUESTIONED COSTS: \$-0-

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

Status: No corrective action has been taken.

Finding 2014-26 – Inadequate Internal Controls Activities Over Major Federal Program – Schools and Roads (Repeat Finding)

PASS-THROUGH GRANTOR: Oklahoma State Treasurer

FEDERAL AGENCY: U.S. Department of Agriculture

CFDA NO: 10.665

FEDERAL PROGRAM NAME: Schools and Roads – Grants to States

FEDERAL AWARD YEAR: 2014

CONTROL CATEGORY: Activities Allowed/Unallowed, Allowable Costs/Cost Principles, Cash Management, Procurement and Suspension and Debarment

QUESTIONED COSTS: \$-0-

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

Status: No corrective action has been taken.

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

Finding 2014-27 – Noncompliance Over Cash Management – Schools and Roads

PASS-THROUGH GRANTOR: Oklahoma State Treasurer

FEDERAL AGENCY: U.S. Department of Agriculture

CFDA NO: 10.665

FEDERAL PROGRAM NAME: Schools and Roads-Grants to States

FEDERAL AWARD YEAR: 2014

CONTROL CATEGORY: Cash Management

QUESTIONED COSTS: \$-0-

Finding Summary: Program costs for Title II monies totaling \$142,324 were not paid for with entity funds before reimbursement was requested. Also, interest approximately totaling \$1,119 was not submitted to the grantor agency.

Status: No corrective action has been taken.

Finding 2013-29 – Inadequate County-Wide Controls - Schools and Roads (Repeat Finding)

PASS-THROUGH GRANTOR: Oklahoma State Treasurer

FEDERAL AGENCY: U.S. Department of Agriculture

CFDA NO: 10.665

FEDERAL PRPGRAM NAME: Schools and Roads - Grants to States

FEDERAL AWARD YEAR: 2013

CONTROL CATEGORY: Activities Allowed/Unallowed; Allowable Costs/Cost Principles; Cash Management; Procurement and Suspension and Debarment

QUESTIONED COSTS: \$-0-

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

Status: No corrective action has been taken.

Finding 2013-30 – Inadequate Internal Controls Activities Over Major Federal Program - Schools and Roads (Repeat Finding)

PASS-THROUGH GRANTOR: Oklahoma State Treasurer

FEDERAL AGENCY: U.S. Department of Agriculture

CFDA NO: 10.665

FEDERAL PROGRAM NAME: Schools and Roads - Grants to States

FEDERAL AWARD YEAR: 2013

CONTROL CATEGORY: Activities Allowed/Unallowed; Allowable Costs/Cost Principles; Cash Management; Procurement and Suspension and Debarment

QUESTIONED COSTS: \$-0-

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

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

with the following compliance requirements: Activities Allowed/Unallowed; Allowable Costs/Cost Principles; Cash Management; Procurement and Suspension and Debarment.

Status: No corrective action has been taken.

Finding 2012-29 – Inadequate County-Wide Controls - Schools and Roads (Repeat Finding)

PASS-THROUGH GRANTOR: Oklahoma State Treasurer

FEDERAL AGENCY: U.S. Department of Agriculture

CFDA NO: 10.665

FEDERAL PRPGRAM NAME: Schools and Roads - Grants to States

FEDERAL AWARD YEAR: 2012

CONTROL CATEGORY: Activities Allowed/Unallowed; Allowable Costs/Cost Principles; Cash Management; Procurement and Suspension and Debarment

QUESTIONED COSTS: \$-0-

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

Status: 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.

Finding 2012-30 – Inadequate Internal Controls Activities Over Major Federal Program - Schools and Roads

PASS-THROUGH GRANTOR: Oklahoma State Treasurer

FEDERAL AGENCY: U.S. Department of Agriculture

CFDA NO: 10.665

FEDERAL PROGRAM NAME: Schools and Roads - Grants to States

FEDERAL AWARD YEAR: 2012

CONTROL CATEGORY: Activities Allowed/Unallowed; Allowable Costs/Cost Principles; Cash Management; Procurement and Suspension and Debarment

QUESTIONED COSTS: \$-0-

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

Status: 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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