



MCCURTAIN COUNTY

County Audit

For the fiscal year ended June 30, 2016

Cindy Byrd, CPA
State Auditor & Inspector

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

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Cindy Byrd, CPA | State Auditor & Inspector

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May 9, 2019

TO THE CITIZENS OF
McCURTAIN COUNTY, OKLAHOMA

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

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

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

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

Sincerely,

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

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



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

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

Vickie Justus

District Attorney

Mark Matloff

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

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

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FINANCIAL SECTION

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

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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



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

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

As described in Note 1, the financial statement is prepared by 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 statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of McCurtain County as of June 30, 2016, or changes in financial position for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

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

Other Matters

Supplementary and Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 8, 2019, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering McCurtain County's internal control over financial reporting and compliance.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

May 8, 2019

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, 2016

	Beginning Cash Balances July 1, 2015	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2016
Combining Information:						
Major Funds:						
County General Fund	\$ 780,368	\$ 2,481,685	\$ -	\$ -	\$ 2,460,312	\$ 801,741
Highway Cash	1,264,464	5,062,639	119,246	-	4,719,723	1,726,626
Federal Forest	130,984	784	-	-	-	131,768
County Health Department	364,293	655,470	-	-	480,623	539,140
Hospital Authority	188,613	833,418	-	-	937,716	84,315
McCurtain County Tourism Authority	746,763	713,333	-	-	546,255	913,841
McCurtain County Fair Board	17,399	41,667	-	-	21,612	37,454
McCurtain County Volunteer Fire Department	1,279,760	849,469	-	-	608,357	1,520,872
McCurtain County Sheriff Office	82,521	849,571	-	-	821,571	110,521
Solid Waste	325,357	1,741,572	-	-	1,610,751	456,178
Use Tax	193,980	361,157	335	-	293,279	262,193
McCurtain County Jail Trust	1,458,489	1,674,602	-	-	1,417,480	1,715,611
CDBG 14 16265	-	69,830	-	-	69,830	-
KEDDO (REAP)	-	155,441	-	-	154,963	478
Remaining Aggregate Funds	445,463	1,027,349	-	335	1,011,750	460,727
Combined Total - All County Funds	\$ 7,278,454	\$ 16,517,987	\$ 119,581	\$ 335	\$ 15,154,222	\$ 8,761,465

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, 2016**

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, officer's 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 maintenance and construction of 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, miscellaneous fees charged by the health department, 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, 2016

Hospital Authority – accounts for the 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 the collection of sales tax funds to be used for the 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 and fee 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 14 16265 – accounts for federal funds received to be expended for the resurfacing of Rufe Road for McCurtain County District 3.

KEDDO (REAP) – accounts for state funds received to be expended for the purpose of Rural Enterprise Assistance Project (REAP) grant projects.

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

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

financial statement on a regulatory basis in conformity with Title 19 O.S. § 171. County governments (primary only) are required to present their financial statements on a fund basis format with, at a minimum, the general fund and all other county funds, which represent ten percent or greater of total county revenue. All other funds included in the audit shall be presented in the aggregate in a combining statement.

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

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

visual inspection on a continuous basis and shall establish an inspection schedule which will result in the individual visual inspection of all taxable property within the county at least once each four (4) years."

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

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

3. Other Information

A. Pension Plan

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

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

B. Other Post Employment Benefits (OPEB)

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

C. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, primarily the federal government. Any disallowed claims, including amounts

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

already collected, may constitute a liability of the applicable fund. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time; although, the County expects such amounts, if any, to be immaterial.

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

D. Sales Tax

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,

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

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.

E. Tax Abatements

The County is subject to ad valorem tax abatements granted by the State of Oklahoma in accordance with the Oklahoma Constitution, Article 10 Section 6B for qualifying manufacturing concern—ad valorem tax exemption.

Under this program, a five-year ad valorem tax exemption exempts all real and personal property that is necessary for the manufacturing of a product and facilities engaged in research and development which meet the requirements set by the Oklahoma Constitution and statutes. Under Title 68 O.S. § 2902, in exchange for the five-year exemption, qualifying manufacturing concerns must meet certain minimum investment requirements for construction, acquisition, or expansion of a manufacturing facility. In addition, there are general minimum payroll requirements that must be met and the qualifying manufacturing concern must offer basic health benefit plans to all full-time employees within 180 days of employment.

The County had \$143,335 of ad valorem taxes abated under this program for the fiscal year ended June 30, 2016.

The State has an Ad Valorem Reimbursement Fund in accordance with Title 62 O.S. § 193 that is used to reimburse the County for the loss of revenue. Monies apportioned to this fund by the State also may be transferred to other state funds or otherwise expended as directed by the Legislature. In the event monies apportioned to the Fund are insufficient to pay all claims for reimbursement, claims for reimbursement for loss of revenue due to manufacturing exemptions of ad valorem taxes shall be paid first, and any remaining funds shall be distributed proportionally among the counties making claims for reimbursement for loss of revenue for school district exemptions.

F. Interfund Transfers

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

- \$119,246 into the Highway Cash fund from the ETR fund (a trust and agency fund) for expenditures on bridge and road projects.
- \$335 into the Use Tax fund from McCurtain County Landfill fund for partial repayment of loan in prior 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, 2016

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 780,368	\$ 780,368	\$ -
Less: Prior Year Outstanding Warrants	(54,564)	(54,564)	-
Less: Prior Year Encumbrances	(8,571)	(6,646)	1,925
Beginning Cash Balances, Budgetary Basis	717,233	719,158	1,925
Receipts:			
Ad Valorem Taxes	1,730,630	1,872,824	142,194
Charges for Services	111,236	142,321	31,085
Intergovernmental Revenues	520,591	428,868	(91,723)
Miscellaneous Revenues	25,677	37,672	11,995
Total Receipts, Budgetary Basis	2,388,134	2,481,685	93,551
Expenditures:			
District Attorney	7,505	7,360	145
County Sheriff	308,992	308,737	255
County Treasurer	145,666	145,030	636
County Commissioner	301,305	256,645	44,660
OSU Extension	122,741	69,965	52,776
County Clerk	215,740	214,716	1,024
Court Clerk	149,366	144,678	4,688
County Assessor	193,082	186,813	6,269
Revaluation of Real Property	251,924	250,707	1,217
Juvenile Shelter Bureau	49,410	39,696	9,714
General Government	604,969	202,637	402,332
Excise-Equalization Board	21,700	11,928	9,772
County Election Board	120,449	97,619	22,830
Insurance - Benefits	554,998	507,595	47,403
Charity	6,000	793	5,207
County Audit Budget Account	36,515	36,515	-
Free Fair Budget Account	10,005	9,983	22
Provision for Interest on Warrants	5,000	665	4,335
Total Expenditures, Budgetary Basis	3,105,367	2,492,082	613,285
Excess of Receipts and Beginning Cash			
Balances Over Expenditures, Budgetary Basis	\$ -	708,761	\$ 708,761
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		155	
Add: Current Year Outstanding Warrants		66,283	
Add: Current Year Encumbrances		26,542	
Ending Cash Balance		\$ 801,741	

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, 2016

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 364,293	\$ 364,293	\$ -
Less: Prior Year Outstanding Warrants	(41,496)	(41,496)	-
Less: Prior Year Encumbrances	(7,244)	(6,607)	637
Beginning Cash Balances, Budgetary Basis	315,553	316,190	637
Receipts:			
Ad Valorem Taxes	430,781	467,582	36,801
Miscellaneous Revenues	180,448	187,888	7,440
Total Receipts, Budgetary Basis	611,229	655,470	44,241
Expenditures:			
Health and Welfare	926,782	509,036	417,746
Total Expenditures, Budgetary Basis	926,782	509,036	417,746
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	462,624	\$ 462,624
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		73,642	
Add: Current Year Outstanding Warrants		2,874	
Ending Cash Balance		\$ 539,140	

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, 2016

	Beginning Cash Balances July 1, 2015	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2016
Remaining Aggregate Funds:						
Assessor Revolving	\$ 248	\$ 1,527	\$ -	\$ -	\$ 321	\$ 1,454
County Clerk Lien Fee	2,582	11,658	-	-	11,003	3,237
County Clerk Preservation	18,590	34,265	-	-	37,663	15,192
Sheriff Confiscated Drug Fund	1,756	-	-	-	-	1,756
Pine Creek Patrol	8,466	12,733	-	-	15,672	5,527
Sheriff Service Fee	178,073	462,972	-	-	387,734	253,311
McCurtain County Landfill	335	-	-	335	-	-
Treasurer Mortgage Tax Certification Fee	21,094	6,750	-	-	-	27,844
Resale Payroll	35,867	100,000	-	-	109,590	26,277
Resale Property	160,729	191,866	-	-	233,072	119,523
K-9026	-	2,832	-	-	2,832	-
Court Clerk Payroll	8,501	202,746	-	-	205,641	5,606
Court Clerk OBF Grant Award	8,222	-	-	-	8,222	-
Local Emergency Planning	1,000	-	-	-	-	1,000
Combined Total - Remaining Aggregate Funds	\$ 445,463	\$ 1,027,349	\$ -	\$ 335	\$ 1,011,750	\$ 460,727

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

1. Budgetary Schedules

The Comparative Schedules of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis for the General Fund and the County Health Department Fund present comparisons of the legally adopted budget with actual data. The "actual" data, as presented in the comparison of budget and actual, will differ from the data as presented in the 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 landfill usage fees and the disbursement of funds for the environmental safety and operation of the landfill.

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, 2016**

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-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 the office.

Court Clerk OBF Grant Award – accounts for funds received from the Oklahoma Bar Foundation 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, 2016

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 (Title I-Highway)	10.665		\$ 186,680
Schools and Roads - Grants to States (Title I-Schools)	10.665		265,914
Schools and Roads - Grants to States (Title II)	10.665	11-RO-11080900-011	19
Schools and Roads - Grants to States (Title II)	10.665	14-RO-11080900-002	9,405
Total U.S. Department of Agriculture			<u>462,018</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed Through the Oklahoma Department of Commerce:			
Community Development Block Grant			
State's program and Non-Entitlement Grants in Hawaii	14.228	16265 CDBG 14	69,830
Total U.S. Department of Housing and Urban Development			<u>69,830</u>
U.S. DEPARTMENT OF INTERIOR			
Direct Grants:			
Payments in Lieu of Taxes	15.226		210,776
Total U.S. Department of Interior			<u>210,776</u>
U.S. DEPARTMENT OF JUSTICE			
Passed Through the Oklahoma State District Attorneys Council:			
Violence Against Women Formula Grants	16.588	V14-038	31,131
Violence Against Women Formula Grants	16.588	V15-036	35,449
Total U.S. Department of Justice			<u>66,580</u>
U.S. DEPARTMENT OF LABOR			
Passed Through the Employment Security Commission:			
Unemployment Insurance	17.225		26
Total U.S. Department of Labor			<u>26</u>
U.S. DEPARTMENT OF TRANSPORTATION			
Passed Through the Oklahoma Highway Safety Office:			
State and Community Highway Safety	20.600		6,730
Total U.S. Department of Transportation			<u>6,730</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed Through the Oklahoma Department of Emergency Management:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	4222 DR OK	427,261
Total U.S. Department of Homeland Security			<u>427,261</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,243,221</u></u>

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

Basis of Presentation

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

Indirect Cost Rate

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

Eligible Expenditures Incurred in the Prior Fiscal Year

On May 26, 2015 the President of the United States approved a Major Disaster Declaration for McCurtain County in response to May 5, 2015 to June 22, 2015 for flooding. The County incurred \$248,930 in eligible expenditures in the prior fiscal year ending June 30, 2015. The Federal Emergency Management Agency approved all project worksheets for this disaster in the fiscal year ending June 30, 2016. Therefore, expenditures on the schedule of expenditures of federal awards for CFDA #97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters) will include \$248,930 in eligible expenditures incurred in the fiscal year ending June 30, 2015 and all eligible expenditures that were incurred in the fiscal year ending June 30, 2016.

INTERNAL CONTROL AND COMPLIANCE SECTION

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

TO THE OFFICERS OF
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 Statement of Receipts, Disbursements, and Changes in Cash Balances (with Combining Information) of McCurtain County, Oklahoma, as of and for the year ended June 30, 2016, 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 May 8, 2019.

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

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered 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: 2016-002, 2016-003, 2016-004, 2016-005, 2016-006, and 2016-009.

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 deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies: 2016-001 and 2016-007.

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 2016-009.

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 Response to Findings

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

Purpose of this Report

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

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

A handwritten signature in blue ink that reads "Cindy Byrd". The signature is written in a cursive, flowing style.

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

May 8, 2019

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

TO THE OFFICERS OF
McCURTAIN COUNTY, OKLAHOMA

Report on Compliance for Each Major Federal Program

We have audited the compliance of McCurtain County, Oklahoma, with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of McCurtain County's major federal programs for the year ended June 30, 2016. McCurtain County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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



Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2016-020, 2016-021, 2016-022, and 2016-023, that we consider to be material weaknesses.

McCurtain County's Response to Findings

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

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



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

May 8, 2019

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

SECTION 1—Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:

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

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

Identification of Major Programs

CFDA Number(s)

10.665
97.036

Name of Federal Program or Cluster

Schools and Roads – Grants to States
Disaster Grants – Public Assistance
(Presidentially Declared Disasters)

Dollar threshold used to distinguish between
Type A and Type B programs: \$750,000

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

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

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

Finding 2016-001 – Lack of Disaster Recovery Plan (Repeat Finding 2008-009, 2009-007, 2010-006, 2011-006, 2012-002, 2013-002, 2014-002, 2015-002)

Condition: Upon inquiry, the County Treasurer’s office did not have a Disaster Recovery Plan.

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: The Oklahoma State Auditor and Inspector’s Office (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.

Management Response:

County Treasurer: A Disaster Recovery Plan has since been developed and presented to the Board of County Commissioners.

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;

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

- 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 2016-002 – Inadequate Internal Controls Over Information Technology (Repeat Finding 2010-005, 2011-005, 2012-003, 2013-003, 2014-003, 2015-003)

Condition: Upon review of the computer systems within the office of the 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.

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

Recommendation: The 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 Clerk: I am in the process of correcting this issue. The specifics of the response have been sanitized to protect the County pursuant to the provision of 51 O.S. § 24A.28.

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.

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

Finding 2016-003 – Inadequate Segregation of Duties – County Treasurer’s Office (Repeat Finding 2003-002, 2004-001, 2005-001, 2006-001, 2007-001, 2008-001, 2009-001, 2010-003, 2011-003, 2012-004, 2013-004, 2014-004, 2015-004)

Condition: Upon inquiry and observation, it was noted that the Treasurer’s office Security Officer routinely receipts miscellaneous receipts and takes the deposit to the bank.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure adequate segregation of duties or to prevent unauthorized access to data in the 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 transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner. Additionally, this condition could result in compromised security for computers, computer programs, and data.

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 County Treasurer’s office be adequately segregated:

- Issuing receipts.
- Taking the deposit to the bank.
- Security Officer Duties.

Management Response:

County Treasurer: Controls have been implemented to ensure proper segregation 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.

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

Finding 2016-004 – Inadequate Segregation of Duties Over the Purchasing Process (Repeat Finding 2012-005, 2013-005, 2014-005, 2015-005)

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.
- Distributing warrants.

Management Response:

County Clerk: Implementation of controls for segregation of duties regarding the purchasing duties are currently in transition. Due to the high volume of purchase orders and limited funds available to employ an additional Purchasing Deputy; I am currently assisting with the purchasing process.

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 2016-005 – Inadequate Segregation of Duties Over the Payroll Process (Repeat Finding 2008-002, 2009-002, 2010-018, 2011-018, 2012-006, 2013-006, 2014-006, 2015-006)

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,

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

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: Due to limited funds available the payroll department, payroll duties and process are primarily limited to one deputy. A second deputy will assist in the payroll duties when available. To implement compensating controls, I will monitor and assist with the payroll process. Further, I will review the warrant register to ensure signatures are obtained to document distribution of payroll warrants.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designed to analyze and check accuracy, completeness, and authorization of payroll calculations and/or transactions to allow for prevention and detection of errors and abuse. To help ensure a proper accounting of funds, key functions within the payroll process such as the duties of processing, authorizing, and payroll distribution should be adequately segregated.

Finding 2016-006 – Inadequate Internal Controls Over Cash Voucher Ledger

Condition: The County Clerk's office does not maintain a cash voucher ledger.

Cause of Condition: Policies and procedures have not been designed and implemented regarding ledgers for the cash voucher accounts.

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

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

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

Management Response:

County Clerk: A cash voucher ledger has been implemented for the current fiscal year. This ledger will be reconciled with the County Treasurer's ledger.

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

Title 19 O.S. § 250 states in part, "The county clerk shall keep a book in which he shall keep a record of the receipts and expenditures of his county and all accounts..."

Finding 2016-007 – Inadequate Internal Controls and Noncompliance Over Sales Tax Apportionments – Solid Waste

Condition: Upon inquiry and observation of the recordkeeping process of apportioning sales tax collections and disbursing of sales tax funds, the following was noted:

- The sales tax revenue apportioned to the Solid Waste fund is co-mingled with \$2,796 recycling and \$60,237 tipping fees collected by Solid Waste.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure collections are properly apportioned and appropriated to the designated funds.

Effect of Condition: This condition resulted in noncompliance with state statute and AG Opinion.

Recommendation: OSAI recommends that County Sales Tax money be accounted for separately from other revenues to ensure compliance with the state statute and AG Opinion.

Management Response:

Chairman of the Board of County Commissioners: We will implement your recommendation and will account for these monies in different accounts. Separate accounts for these monies will result in calmer monitoring of collections and revenues.

Criteria: Title 68 O.S. § 1370(I) states in part, "Each such revolving fund shall be designated for a particular purpose and shall consist of all monies generated by such sales tax which are designated for such purpose. Monies in such funds shall only be expended for the purposes specifically designated as required by this section. A county sales tax revolving fund shall be a continuing fund not subject to fiscal year limitations."

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

AG Opinion 2014 OK AG 15 dated 10/31/2014 states:

“4. C. As the fiscal agent responsible for superintending the funds of Canadian County, the board of county commissioners is responsible to ensure that the sales tax proceeds are not intermingled and are used exclusively for the purpose expressed in the ballot measure and resolution. The board can direct that the funds be deposited in a dedicated revolving fund and not intermingled with other revenues. Okla. Const. art. X, § 19; [68 O.S. 2011, § 1370](#); [19 O.S. Supp. 2013, § 339](#); [19 O.S. 2011, § 345](#); Cavin v. Bd. of County Comm'rs, [1934 OK 245 ¶ 11, 33 P.2d 477, 479.](#)”

Finding 2016-009 – Inadequate Internal Controls and Noncompliance Over Disbursements (Repeat Finding 2008-005, 2009-005, 2010-010, 2011-011, 2012-012, 2013-012, 2014-010, 2015-010)

Condition: Of sixty-four (64) disbursements tested, the following exceptions were noted:

- One (1) was not charged to the proper period.
- Eleven (11) 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 statutes and could result in unrecorded transaction, undetected errors, misappropriation of funds, inaccurate records, and incomplete information.

Recommendation: OSAI recommends that the County implement internal control procedures to ensure compliance with purchasing guidelines. Purchase orders should be encumbered before goods or services are ordered.

Management Response:

County Commissioner District 1: We will strive to improve our compliance with purchasing guidelines.

County Commissioner District 2: We will strive to improve compliance to purchasing guidelines.

County Commissioner District 3: We are working harder to educate ourselves and follow recommended purchasing procedures. We are taking the needed step to correct our internal control problems and ensure disbursements are encumbered correctly.

County Clerk: Our office is working with all departments in order to ensure compliance regarding the timely encumbrance of purchase orders. Purchase orders that are not timely encumbered are marked by the County Clerk's office prior to sending the Board of County Commissioners for payment approval. The County Clerk's office is also working with departments to ensure compliance with expenditures being encumbered in the proper period.

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

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 the Uniform Guidance

Finding 2016-020 – Inadequate County-Wide Internal Controls Over Major Federal Program – Schools and Roads (Repeat Finding 2015-025, 2014-025, 2013-029, 2012-029, 2011-022, and 2010-023)

PASS-THROUGH GRANTOR: Oklahoma State Treasurer

FEDERAL AGENCY: U.S. Department of Agriculture

CFDA NO: 10.665

FEDERAL PROGRAM NAME: Schools and Roads – Grants to States

FEDERAL AWARD YEAR: 2016

CONTROL CATEGORY: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Cash Management

QUESTIONED COSTS: \$-0-

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

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

Management Response:

Chairman of the Board of County Commissioners: We will make this a top priority to correct this problem.

County Treasurer: Federal grants will be discussed in officer meetings to determine corrective action to be taken.

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

County Clerk: I will update the County on the information as provided on the federal grant website in the county officer meetings. The County Clerk's office will work with other offices whom administer the grants to assist in compliance with federal grant guidelines.

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.

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.

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

Finding 2016-021 – Inadequate County-Wide Internal Controls Over Major Program – FEMA

PASS-THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: U.S. Department of Homeland Security

CFDA NO: 97.036

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

FEDERAL AWARD NUMBER: DR-4222

FEDERAL AWARD YEAR: 2016

CONTROL CATEGORY: Activities Allowed or Unallowed, Allowable Costs/Cost Principles

QUESTIONED COSTS: \$-0-

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

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

Management Response:

Chairman Board of County Commissioners: We will discuss this matter in our Elected Officials meeting to ensure we meet or exceed all requirements.

County Treasurer: Federal grants will be discussed in officer meetings to determine corrective action to be taken.

County Clerk: I will update the County on the information as provided on the federal grant website in the county officer meetings. The County Clerk's office will work with other offices whom administer the grants to assist in compliance with federal grant guidelines.

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

McCURTAIN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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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.

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 2016-022 – Inadequate Internal Controls Over Major Program – Schools and Roads (Repeat Finding 2015-026, 2014-026, 2013-030, 2012-030, 2011-023, 2011-024, 2010-025, 2010-026, 2009-012, 2008-013, and 2007-011)

PASS-THROUGH GRANTOR: Oklahoma State Treasurer

FEDERAL AGENCY: U.S. Department of Agriculture

CFDA NO: 10.665

FEDERAL PROGRAM NAME: Schools and Roads – Grants to States

FEDERAL AWARD YEAR: 2016

CONTROL CATEGORY: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Cash Management

QUESTIONED COSTS: \$-0-

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

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

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

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

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

Management Response:

Chairman Board of County Commissioners: This matter will be further discussed at the next Elected Official meeting.

County Treasurer: The Schools and Roads federal grant will be discussed in officer meetings to determine corrective action to be taken.

County Clerk: I have registered on the federal grant website to receive the information pertaining to the grants. The Chairman serves as the main contact regarding the County's federal grants. The Elected Official receiving the grant will be responsible for obtaining an understanding of the requirements and ensuring compliance.

Criteria: 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.

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

The non-Federal entity must:

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

Finding 2016-023 – Inadequate Internal Controls Over Major Program – FEMA

PASS-THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: U.S. Department of Homeland Security

CFDA NO: 97.036

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

FEDERAL AWARD NUMBER: DR-4222

FEDERAL AWARD YEAR: 2016

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

CONTROL CATEGORY: Activities Allowed or Unallowed, Allowable Costs/Cost Principles
QUESTIONED COSTS: \$-0-

Condition: During the process of documenting the County's internal controls regarding federal disbursements, we noted that the County has not established internal controls to ensure compliance with the following compliance requirements: Activities Allowed or Unallowed and Allowable Costs/Cost Principles.

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

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

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

Management Response:

Chairman Board of County Commissioners: The Board of County Commissioners will take steps to correct this issue.

County Treasurer: Federal grants will be discussed in officer meetings to determine corrective action to be taken.

County Clerk: I have registered on the federal grant website to receive the information pertaining to the grants. The Chairman serves as the main contact regarding the County's federal grants. The Elected Official receiving the grant will be responsible for obtaining an understanding of the requirements and ensuring compliance.

Criteria: 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.

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

The non-Federal entity must:

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

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

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

Finding 2016-013 – 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 County 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.

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:

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

- 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: Recent budget cuts have resulted in a major reduction of staff in previous years. Due to limited personnel, segregation of duties is very difficult and may not always be possible. I will train a deputy to review the Court Fund and Revolving Fund claims, review reports to ensure they balance with the Treasurer, and to prepare the Court Fund and Revolving Fund reports.

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

Finding 2016-014 – 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 County Treasurer's Official Depository Ledger.
- A variance of \$4,917 was noted when comparing the Court Clerk's District Court Case Balance Summary Report to the County Treasurer's official depository ledger.

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 have contacted our software vendor to assist in balancing the District Court Case's. We have identified the variance and are now balancing monthly. Errors consolidated over the years have been compiled into a Miscellaneous Case file and are being researched and resolved.

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

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.

APPENDIX A

CORRECTIVE ACTION PLAN

(Prepared by County Management)



THE BOARD OF COUNTY COMMISSIONERS

McCURTAIN COUNTY

P.O. Box 1078 - Idabel, Oklahoma 74745
580-286-7428

**Corrective Action Plan
in accordance with 2 CFR § 200.511c
for the fiscal year ended June 30, 2016**

Finding No.	Title (Financial) or CFDA No. & Program Name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-001	Lack of Disaster Recovery Plan	The County Treasurer's Disaster Recovery Plan has been developed and presented to the Board of County Commissioners and is currently in place.	7/1/18	Chairman of the Board of County Commissioners, Jimmy Westbrook
2016-002	Inadequate Internal Controls Over Information Technology	The County Clerk has reviewed the specific issues in this finding and is in the process of taking correcting them.	7/1/18	Chairman of the Board of County Commissioners, Jimmy Westbrook
2016-003	Inadequate Segregation of Duties – Treasurer's Office	Controls have been implemented by the Treasurer to insure proper segregation of duties	7/1/18	Chairman of the Board of County Commissioners, Jimmy Westbrook
2016-004	Inadequate Segregation of Duties Over the Purchasing Process	The County Clerk is currently implementing controls for segregation of duties regarding the purchasing duties. Due to the high volume of purchase order and to limited funds available to employ an additional purchasing deputy; the clerk is currently assisting with the purchasing process.	7/1/18	Chairman of the Board of County Commissioners, Jimmy Westbrook
2016-005	Inadequate Segregation of Duties Over the Payroll Process	Due to limited funds available the payroll department, payroll duties and process are primarily limited to one deputy. A second deputy will assist in the payroll duties when available. To implement compensating controls, the County Clerk will monitor and assist with the payroll process. Further, the County Clerk will review the warrant register to ensure signatures are obtained to document distribution of payroll warrants.	7/1/18	Chairman of the Board of County Commissioners, Jimmy Westbrook
2016-006	Inadequate Internal Controls Over Cash Voucher Ledger	A cash voucher ledger has been implemented by the County Clerk for the current fiscal year. This ledger will be reconciled with the County Treasurer's ledger.	7/1/18	Chairman of the Board of County Commissioners, Jimmy Westbrook

CHRIS WHITE
DISTRICT 1
BROKEN BOW

JOE COFFMAN
DISTRICT 2
IDABEL

JIMMY WESTBROOK
DISTRICT 3
VALLIANT



THE BOARD OF COUNTY COMMISSIONERS

McCURTAIN COUNTY

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2016-007	Inadequate Internal Controls and Noncompliance Over Sales Tax Apportionments – Solid Waste	We will account for these monies in different accounts. Separate accounts for these monies will result in calmer monitoring of collections and revenues.	7/1/18	Chairman of the Board of County Commissioners, Jimmy Westbrook
2016-009	Inadequate Internal Controls and Noncompliance Over Disbursements	We will strive to improve our compliance with purchasing guidelines. The County Clerk's office is working with all departments in order to ensure compliance regarding the timely encumbrance of purchase orders. Purchase orders that are not timely encumbered are marked by the County Clerk's office prior to sending the Board of County Commissioners for payment approval. The County Clerk's office is also working with departments to ensure compliance with expenditures being encumbered in the proper period.	7/1/18	Chairman of the Board of County Commissioners, Jimmy Westbrook
2016-020	Inadequate County-Wide Internal Controls Over Major Program – Schools and Roads	The County Officers will make this a top priority to correct this problem. Federal grants will be discussed in officer meetings to determine corrective action to be taken. The County Clerk will update the county on the information as provided on the federal grant website in the county officer meetings. The County Clerk's office will work with other offices whom administer the grants to assist in compliance with federal grant guidelines.	7/1/18	Chairman of the Board of County Commissioners, Jimmy Westbrook
2016-021	Inadequate County-Wide Internal Controls Over Major Program – FEMA	The County Officers will discuss this matter in our Elected Officials meeting to ensure we meet or exceed all requirements. Federal grants will be discussed in officer meetings to determine corrective action to be taken. Federal grants will be discussed in officer meetings to determine corrective action to be taken.	7/1/18	Chairman of the Board of County Commissioners, Jimmy Westbrook
2016-022	Inadequate Internal Controls Over Major Program – Schools and Roads	The Schools and Roads federal grant will be further discussed at the next Elected Official meeting. to determine corrective action to be taken. The County Clerk has register with the federal grant website to receive the information pertaining to the grants. The Chairman serves as the main contact regarding the County's federal grants. The Elected Official receiving the grant will be responsible for obtaining an understanding of the requirements and ensuring compliance.	7/1/18	Chairman of the Board of County Commissioners, Jimmy Westbrook
2016-023	Inadequate Internal Controls Over Major Program – FEMA	The Board of County Commissioners will take steps to correct this issue. Federal grants will be discussed in officer meetings to determine corrective action to be taken. The County Clerk has register with the federal grant website to receive the information pertaining to the grants. The Chairman serves as the main contact regarding the County's federal grants. The Elected Official receiving the grant will be responsible for understanding the requirements and ensuring compliance.	7/1/18	Chairman of the Board of County Commissioners, Jimmy Westbrook

APPENDIX B

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

(Prepared by County Management)



THE BOARD OF COUNTY COMMISSIONERS

McCURTAIN COUNTY

P.O. Box 1078 - Idabel, Oklahoma 74745
580-286-7428

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

FINANCIAL AUDIT FINDINGS

Finding 2008-010, 2009-008, 2010-001, 2011-001, 2012-001, 2013-001, 2014-001, 2015-001

Inadequate County-Wide Controls

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

Status: Corrective action was taken.

Finding 2008-009, 2009-007, 2010-006, 2011-006, 2012-002, 2013-002, 2014-002, 2015-002

Lack of Disaster Recovery Plan

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

- County Treasurer.
- County Clerk

Status: Partially corrected. The County Clerk's Office has prepared a Disaster Recovery Plan. However, the County Treasurer's Office is in the process of preparing a Disaster Recovery Plan.

Finding 2010-005, 2011-005, 2012-003, 2013-003, 2014-003, 2015-003

Inadequate Internal Controls Over Information Technology

Finding Summary: 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.

Status: Partially corrected. The County Treasurer has implemented adequate controls in place to safeguard data from unauthorized modification, loss, or disclosure. However, the County Clerk is in the process of implementing adequate controls as recommended.

Finding 2003-002, 2004-001, 2005-001, 2006-001, 2007-001, 2008-001, 2009-001, 2010-003, 2011-003, 2012-004, 2013-004, 2014-004, 2015-004

Inadequate Segregation of Duties in the County Treasurer's Office

Finding Summary: 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.

Status: Partially corrected. The Treasurer's office has implemented controls to separate the receipting and reconciling functions. The Treasurer's office is in the process of separating other noted key processes to provide adequate segregation of duties.

CHRIS WHITE
DISTRICT 1
BROKEN BOW

JOE COFFMAN
DISTRICT 2
IDABEL

JIMMY WESTBROOK
DISTRICT 3
VALLIANT



THE BOARD OF COUNTY COMMISSIONERS

McCURTAIN COUNTY

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580-286-7428

Finding 2010-023, 2011-022, 2012-029, 2013-029, 2014-025, 2015-025

Inadequate County-Wide Controls Over Major Federal Programs – Schools and Roads

Pass-Through Grantor: Oklahoma State Treasurer

Federal Agency: U.S. Department of Agriculture

CFDA No: 10.665

Federal Program Name: Schools and Roads – Grants to States

Federal Award Year: 2007; 2008; 2009; 2010; 2011; 2012; 2013; 2014; and 2015

Control Category: Activities Allowed or 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: Not Corrected. The Board of County Commissioners are in the process of developing and implementing procedures to ensure compliance with grant requirements.

Finding 2007-011, 2008-013, 2009-012, 2010-025, 2010-26, 2011-023, 2011-24, 2012-030, 2013-030, 2014-026, 2015-026

Inadequate Internal Controls Activities Over Major Federal Programs – Schools and Roads

Pass-Through Grantor: Oklahoma State Treasurer

Federal Agency: U.S. Department of Agriculture

CFDA No: 10.665

Federal Program Name: Schools and Roads – Grants to States

Federal Award Year: 2008; 2009; 2010; 2011; 2012; 2013; 2014; and 2015

Control Category: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; and 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 requirement: Activities Allowed, Allowable Costs/Cost Principles, Cash Management, and Procurement and Suspension and Debarment. - Schools and Roads

Status: Not Corrected. The Board of County Commissioners are in the process of developing and implementing procedures to ensure compliance with grant requirements.

Finding 2014-027, 2015-027

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: 2007; 2010; 2011; 2014; and 2015

Control Category: Cash Management

Questioned Costs: \$-0-

Finding Summary: Interest earned on grant proceeds was not submitted to the grantor agency.

Status: Not Corrected. The Board of County Commissioners are in the process of developing and implementing procedures to ensure compliance with grant requirements.



THE BOARD OF COUNTY COMMISSIONERS

McCURTAIN COUNTY

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580-286-7428

Finding Summary: 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.

Status: Not Corrected. With limited funds available to employ additional personnel, the County Clerk has been unable to fully implement segregation of duties.

Finding 2008-002, 2009-002, 2010-018, 2011-018, 2012-006, 2013-006, 2014-006, 2015-006

Inadequate Segregation of Duties Over the Payroll Process

Finding Summary: 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.

Status: Not Corrected. With limited funds available to employ additional personnel, the County Clerk has been unable to fully implement segregation of duties.

Finding 2012-008, 2013-008, 2014-007, 2015-007

Inadequate Internal Controls and Noncompliance Over Signature Stamp – County Commissioner District 3

Finding Summary: 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.

Status: Corrective action was taken.

Finding 2007-002, 2008-034, 2009-033, 2010-011, 2011-012, 2012-007, 2013-007, 2014-008, 2015-008

Reconciliation of Appropriation Ledger to General Ledger

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

Status: Corrective action was taken.

Finding 2008-005, 2009-005, 2010-010, 2011-011, 2012-012, 2013-012, 2014-010, 2015-010

Inadequate Internal Controls and Noncompliance Over Disbursements

Finding Summary: Disbursements tested were not supported by adequate documentation due to lack of receiving reports and were not timely encumbered.

Status: Not corrected. The Board of County Commissioners and County Clerk's Office have continued to emphasize the importance of proper purchasing procedures.



Cindy Byrd, CPA | State Auditor & Inspector

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