



# MCCURTAIN COUNTY

## County Audit

For the fiscal year ended June 30, 2017

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

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

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



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, 2017. The audit was conducted in accordance with 19 O.S. § 171.

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

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

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

Sincerely,

A handwritten signature in blue ink that reads "Cindy Byrd".

CINDY BYRD, CPA  
OKLAHOMA STATE AUDITOR & INSPECTOR



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

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**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**

Kevin Clardy

**County Treasurer**

Linda Laster

**Court Clerk**

Vickie Justus

**District Attorney**

Mark Matloff

**McCURTAIN COUNTY, OKLAHOMA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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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, 2017, and the related notes to the financial statement, which collectively comprise the County's basic financial statement as listed in the table of contents.

### *Management's Responsibility for the Financial Statement*

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

### *Auditor's Responsibility*

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

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



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

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

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

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of McCurtain County as of June 30, 2017, or changes in financial position for the year then ended.

***Unmodified Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash balances for all county funds of McCurtain County, for the year ended June 30, 2017, in accordance with the basis of accounting described in Note 1.

***Other Matters***

***Supplementary and Other Information***

Our audit was conducted for the purpose of forming an opinion on the combined total of all county funds on the financial statement. The Other Supplementary Information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statement.

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated 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 to describe the scope of our testing of internal control over financial reporting



and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and in considering McCurtain County's internal control over financial reporting and compliance.

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

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, 2017**

	Beginning Cash Balances July 1, 2016	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2017
Combining Information:						
Major Funds:						
County General Fund	\$ 801,741	\$ 2,911,800	\$ -	\$ -	\$ 2,923,068	\$ 790,473
Highway Cash	1,726,626	4,426,829	78,566	-	4,618,001	1,614,020
Federal Forest	131,768	806	-	-	-	132,574
County Health Department	539,140	750,059	-	-	508,537	780,662
Hospital Authority	84,315	895,563	-	-	714,036	265,842
McCurtain County Tourism Authority	913,841	891,549	-	-	695,307	1,110,083
McCurtain County Fair Board	37,454	52,089	-	-	43,894	45,649
McCurtain County Volunteer Fire Department	1,520,872	899,584	-	-	955,100	1,465,356
McCurtain County Sheriff Office	110,521	891,398	-	-	870,920	130,999
Solid Waste	456,178	1,924,977	-	-	1,813,922	567,233
Use Tax	262,193	469,704	-	-	388,833	343,064
McCurtain County Jail Trust	1,715,611	1,792,017	-	-	1,725,130	1,782,498
KEDDO (REAP)	478	127,953	-	-	124,406	4,025
Remaining Aggregate Funds	460,727	1,048,789	-	-	972,452	537,064
<b>Combined Total - All County Funds</b>	<b>\$ 8,761,465</b>	<b>\$ 17,083,117</b>	<b>\$ 78,566</b>	<b>\$ -</b>	<b>\$ 16,353,606</b>	<b>\$ 9,569,542</b>

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, 2017**

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**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, 2017**

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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.

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 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

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

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greater of total county revenue. All other funds included in the audit shall be presented in the aggregate in a combining statement.

**D. Budget**

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

**E. Cash and Investments**

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

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

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

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

**2. Ad Valorem Tax**

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

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

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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, 2017**

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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, 2017**

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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.

The voters of McCurtain County approved a permanent renewal of a one-fourth of one percent (1/4%) excise tax which shall be used by the McCurtain County Hospital Authority effective April 1, 2017. This excise tax was established to purchase equipment and/or other capital improvements for the Hospital Authority, pay the principal and interest incurred to finance the purchase of equipment and/or capital improvements for the Hospital Authority, including supplies, capital equipment and labor, pay for the cost of the annual independent audit of the accounting records of the Hospital Authority, and maintain the property of the McCurtain County Hospital Authority, and to assist McCurtain Memorial Medical Management, Inc., with supplies utilities, medications, insurance, and equipment maintenance contracts, but these funds may not be used for salaries, employee benefits, bonuses, employee travel, payroll taxes and expenses, or vehicles. These funds are accounted for in the Hospital Authority fund.

**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 \$263,328 of ad valorem taxes abated under this program for the fiscal year ended June 30, 2017.

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.

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

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**F. Interfund Transfers**

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

- \$78,566 was transferred into the Highway Cash fund from the ETR fund (a trust and agency fund) for expenditures on bridge and road projects.

## **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, 2017**

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 801,741	\$ 801,741	\$ -
Less: Prior Year Outstanding Warrants	(66,283)	(66,283)	-
Less: Prior Year Encumbrances	(26,542)	(23,164)	3,378
Beginning Cash Balances, Budgetary Basis	708,916	712,294	3,378
Receipts:			
Ad Valorem Taxes	1,963,404	2,022,483	59,079
Charges for Services	126,689	154,101	27,412
Intergovernmental Revenues	349,334	612,907	263,573
Miscellaneous Revenues	26,930	122,309	95,379
Total Receipts, Budgetary Basis	2,466,357	2,911,800	445,443
Expenditures:			
District Attorney	7,505	7,463	42
Sheriff	336,258	334,192	2,066
Treasurer	154,110	152,389	1,721
County Commissioners	388,106	387,031	1,075
OSU Extension	128,681	126,110	2,571
County Clerk	236,623	236,074	549
Court Clerk	160,167	157,417	2,750
Assessor	201,011	200,980	31
Revaluation of Real Property	268,712	267,504	1,208
Juvenile Shelter Bureau	45,700	27,910	17,790
General Government	391,865	294,190	97,675
Equalization Board	25,000	10,908	14,092
Election Expense	133,564	111,417	22,147
Insurance Benefits	655,646	601,359	54,287
Charity	6,000	3,445	2,555
Audit Budget	21,320	1,138	20,182
Free Fair Improvement	10,005	9,583	422
Provision for Interest on Warrants	5,000	731	4,269
Total Expenditures, Budgetary Basis	3,175,273	2,929,841	245,432
Excess of Receipts and Beginning Cash			
Balances Over Expenditures, Budgetary Basis	\$ -	694,253	\$ 694,253
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		59	
Add: Current Year Outstanding Warrants		78,603	
Add: Current Year Encumbrances		17,558	
Ending Cash Balance		\$ 790,473	

**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, 2017**

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 539,140	\$ 539,140	\$ -
Less: Prior Year Outstanding Warrants	(73,642)	(71,005)	2,637
Less: Prior Year Encumbrances	(2,874)	(2,874)	-
Beginning Cash Balances, Budgetary Basis	<u>462,624</u>	<u>465,261</u>	<u>2,637</u>
Receipts:			
Ad Valorem Taxes	490,367	505,034	14,667
Miscellaneous Revenues	<u>237,101</u>	<u>245,025</u>	<u>7,924</u>
Total Receipts, Budgetary Basis	<u>727,468</u>	<u>750,059</u>	<u>22,591</u>
Expenditures:			
Health and Welfare	<u>1,190,092</u>	<u>542,929</u>	<u>647,163</u>
Total Expenditures, Budgetary Basis	<u>1,190,092</u>	<u>542,929</u>	<u>647,163</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	672,391	<u>\$ 672,391</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		94,173	
Add: Current Year Outstanding Warrants		<u>14,098</u>	
Ending Cash Balance		<u>\$ 780,662</u>	

**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, 2017**

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	Beginning Cash Balances July 1, 2016	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2017
Remaining Aggregate Funds:				
Assessor Revolving	\$ 1,454	\$ 862	\$ 1,140	\$ 1,176
County Clerk Lien Fee	3,237	12,514	10,752	4,999
County Clerk Preservation	15,192	36,590	39,114	12,668
Sheriff Confiscated Drug Fund	1,756	-	200	1,556
Pine Creek Patrol	5,527	5,177	10,498	206
Sheriff Service Fee	253,311	267,083	358,764	161,630
Treasurer Mortgage Tax Certification Fee	27,844	7,385	616	34,613
Resale Payroll	26,277	130,000	136,357	19,920
Resale Property	119,523	377,779	206,919	290,383
Court Clerk Payroll	5,606	210,046	207,698	7,954
Local Emergency Planning	1,000	1,000	394	1,606
Assessor Visual Inspection	-	353	-	353
<b>Combined Total - Remaining Aggregate Funds</b>	<b>\$ 460,727</b>	<b>\$ 1,048,789</b>	<b>\$ 972,452</b>	<b>\$ 537,064</b>

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

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**1. Budgetary Schedules**

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

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.

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

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

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

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

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

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



## **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, 2017, 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, 2017, on the basis of accounting prescribed by Oklahoma state law, described in Note 1.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statement, we considered 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 responses to be material weaknesses: 2017-002, 2017-003, 2017-004, 2017-005, 2017-006, and 2017-009.

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 responses to be significant deficiencies: 2017-001, 2017-007, 2017-008, and 2017-010.

### **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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2017-008, 2017-009, and 2017-010.

We noted certain matters regarding statutory compliance that we reported to the management of McCurtain County, which are included in Section 2 of the schedule of findings and responses 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 responses. 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.



CINDY BYRD, CPA  
OKLAHOMA STATE AUDITOR & INSPECTOR

May 8, 2019

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

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**SECTION 1—Findings related to the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

**Finding 2017-001 – Lack of Disaster Recovery Plan (Repeat Finding 2008-009, 2009-007, 2010-006, 2011-006, 2012-002, 2013-002, 2014-002, 2015-002, 2016-001)**

**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 RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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- 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 2017-002 – Inadequate Internal Controls Over Information Technology (Repeat Finding 2010-005, 2011-005, 2012-003, 2013-003, 2014-003, 2015-003, 2016-002)**

**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 RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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**Finding 2017-003 – 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, 2016-003)**

**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 RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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**Finding 2017-004 – Inadequate Segregation of Duties Over the Purchasing Process (Repeat Finding 2012-005, 2013-005, 2014-005, 2015-005, 2016-004)**

**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 2017-005 – 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, 2016-005)**

**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  
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FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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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 2017-006 – Inadequate Internal Controls Over Cash Voucher Ledger (Repeat Finding 2016-006)**

**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 RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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**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 2017-007 – Inadequate Internal Controls and Noncompliance Over Sales Tax Apportionments – Solid Waste (Repeat Finding 2016-007)**

**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 is apportioned to the Solid Waste fund is co-mingled with \$1,665 recycling and \$137,369 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."

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

**McCURTAIN COUNTY, OKLAHOMA  
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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 2017-008 – Noncompliance Over Sales Tax Apportionments – Hospital Authority**

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

- \$1,978,007 of loan proceeds for the Hospital Authority was co-mingled with Hospital Authority Sales Tax revenues.

**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 regarding the separation of these monies to different accounts and ensure funds are monitored in the future.

**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.”

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.”

**McCURTAIN COUNTY, OKLAHOMA  
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FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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**Finding 2017-009 – 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, 2016-009)**

**Condition:** Of eighty-one (81) disbursements tested, the following exceptions were noted:

- One (1) disbursement were not supported by adequate documentation, due to lack of receiving reports.
- Ten (10) disbursements were not timely encumbered.

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

**Effect of Condition:** These conditions resulted in noncompliance with state 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. Adequate supporting documentation should be attached to the purchase order. This includes invoices, haul tickets, and receiving reports.

**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.

**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.

**McCURTAIN COUNTY, OKLAHOMA  
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FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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**SECTION 2—**This section contains certain matters not required to be reported in accordance with *Government Auditing Standards*. However, we believe these matters are significant enough to bring to management’s attention. We recommend that management consider these matters and take appropriate corrective action.

**Finding 2017-013 – Inadequate Segregation of Duties Over Court Clerk Court Fund and Court Clerk Revolving Fund (Repeating 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:

- Issuing receipts.
- Preparing/reviewing deposits and taking them to the County Treasurer.

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- 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 2017-014 – 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 \$5,711 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.

**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.

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**Finding 2017-015 – Inadequate Internal Controls and Noncompliance Over Fixed Assets Records (Repeat Finding)**

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

- The County has not set forth procedures to perform and document an annual physical inventory to ensure compliance with 19 O.S. § 178.1 and 178.2 for the following offices: County Commissioner District 1, County Commissioner District 2, County Commissioner District 3, County Clerk, County Assessor, County Sheriff, County Health Department, Emergency Management, Solid Waste, Election Board, Battiest, Bethel, Broken Bow, Eagletown, Garvin, Haworth, Hochatown, Hollycreek, Idabel, Millerton, Pickens, Pinecreek, Ringold, Rufe, Sherwood, Shinewell, Smithville, Tom, Valliant, Watson, and Wright City Volunteer Fire Departments.
- County Commissioner District 3 did not have all equipment clearly marked as county equipment or county leased equipment.

**Cause of Condition:** Policies and procedures have not been designed and implemented with regard to effective internal controls over safeguarding of fixed assets by performing an annual physical inventory count, maintaining the fixed asset inventory record with the County Clerk, and marking all equipment as county property or county leased equipment.

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

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

- Perform an annual inventory count.
- Retain documentation to verify the physical inventory counts were performed.
- Perform inventory verification by someone other than the receiving officer or inventory officer.
- File inventory list with the County Clerk annually.
- Mark all equipment as county property or county leased equipment.

**Management Response:**

**County Commissioner District 1:** We will strive to improve inventory compliance.

**County Commissioner District 2:** We will strive to improve inventory compliance.

**Chairman Board of County Commissioners:** We are currently updating inventory files.

**County Clerk:** Fixed asset policies and procedures has been implemented.

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

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

Title 69 O.S. § 645 states, “The board of county commissioners shall cause each piece of county-owned, rented or leased road machinery and equipment, and each automobile and truck, to be marked in accordance with the provisions of this section. County-owned automobiles, trucks, road machinery and equipment shall be conspicuously and legibly marked PROPERTY OF (name of county) COUNTY, and leased automobiles, trucks, road machinery and equipment shall be conspicuously and legibly marked LEASED BY (name of county) COUNTY, on each side, in upper case letters, on a background of sharply contrasting color.”

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

**Finding 2017-016 – Inadequate Internal Controls and Noncompliance Over Consumable Inventories (Repeat Finding)**

**Condition:** Upon inquiry of County personnel, observation, review of documents and performing testwork, regarding consumable inventories, the following was noted:

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- County Commissioner District 2 and 3 did not maintain consumable cards for all consumable items.
- County Commissioner District 1 and 2 did not maintain fuel logs for satellite fuel tanks.
- County Commissioner District 3 did not perform and document a periodic physical count of consumable inventory.
- County Commissioner District 2 and 3 did not reconcile to the actual fuel on hand.

**Cause of Condition:** Policies and procedures have not been designed and implemented with regard to effective internal controls over safeguarding of consumable inventories by performing physical inventory counts, maintaining of the consumable inventory records, and performing of reconciliation between fuel records and the actual fuel on hand.

**Effect of Condition:** Failure to maintain accurate records of consumable inventories and to perform a periodic physical inventory of consumable inventories could result in inaccurate records, unauthorized use of consumable inventories, or misappropriation of consumable inventories.

**Recommendation:** OSAI recommends management implement internal controls to ensure compliance with 19 O.S. § 1504A. These controls would include:

- Maintaining fuel logs for all satellite fuel tanks.
- Maintaining consumable cards for all consumable items.
- Performing and documenting a periodic physical count of consumable inventory.
- Reconciling fuel log to fuel on hand on a weekly basis and explain any variance or adjustments.

**Management Response:**

**County Commissioner District 1:** We recognize the need to document fuel used at satellite tanks.

**County Commissioner District 2:** We have taken steps to correct the problems regarding consumable. We are now recording fuel usage and are attempting to resolve difficulties due to lack of meters on the satellite tanks.

**County Commissioner District 3:** We have taken steps to correct these problems.

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

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





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