



MCCURTAIN COUNTY

Financial Report

For the fiscal year ended June 30, 2018

Cindy Byrd, CPA
State Auditor & Inspector

**McCURTAIN COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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Cindy Byrd, CPA | State Auditor & Inspector

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January 19, 2020

TO THE CITIZENS OF
McCURTAIN COUNTY, OKLAHOMA

Transmitted herewith is the audit of McCurtain County, Oklahoma for the fiscal year ended June 30, 2018. 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, 2018**

Board of County Commissioners

District 1 – Chris White

District 2 – Joe Coffman

District 3 – Jimmy Westbrook

County Assessor

Stan Lyles

County Clerk

Karen Bryan

County Sheriff

Kevin Clardy

County Treasurer

Brad Box

Court Clerk

Vicki Justus

District Attorney

Mark Matloff

**McCURTAIN COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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**McCURTAIN COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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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, 2018, 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, 2018, 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, 2018, in accordance with the basis of accounting described in Note 1.

Other Matters

Supplementary 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 is 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 relates 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 December 14, 2020, 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

December 14, 2020

REGULATORY BASIS FINANCIAL STATEMENT

McCURTAIN COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS
(WITH COMBINING INFORMATION)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Beginning Cash Balances July 1, 2017	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2018
Combining Information:						
County General Fund	\$ 790,826	\$ 2,883,513	\$ -	\$ -	\$ 3,151,652	\$ 522,687
Highway Cash	1,614,020	4,929,821	-	-	4,862,551	1,681,290
Assessor Revolving	1,176	1,947	-	-	772	2,351
County Clerk Lien Fee	4,999	13,155	-	-	12,458	5,696
County Clerk Preservation	12,668	37,625	-	-	33,827	16,466
Federal Forest	132,574	804	-	-	-	133,378
County Health Department	780,662	746,742	-	-	548,961	978,443
Hospital Authority	265,842	976,650	-	-	1,127,998	114,494
McCurtain County Tourism Authority	1,110,083	1,146,614	-	-	966,428	1,290,269
McCurtain County Fair Board	45,649	66,812	-	-	71,876	40,585
McCurtain County Volunteer Fire Department	1,465,356	968,322	-	-	664,919	1,768,759
Sheriff Confiscated Drug Fund	1,556	-	-	-	200	1,356
McCurtain County Sheriff Office	130,999	964,010	-	-	979,689	115,320
Pine Creek Patrol	206	6,469	-	-	4,778	1,897
Sheriff Service Fee	161,630	242,374	-	-	253,078	150,926
Solid Waste	567,233	2,044,376	-	-	1,994,770	616,839
Treasurer Mortgage Tax Certification Fee	34,613	7,365	-	-	20,704	21,274
Resale Payroll	19,920	100,000	-	-	96,251	23,669
Resale Property	290,383	208,053	74,070	-	260,635	311,871
Use Tax	343,064	430,045	-	-	393,506	379,603
McCurtain County Jail Trust	1,782,498	1,932,361	-	-	1,988,360	1,726,499
Court Clerk Payroll	7,954	208,347	-	-	215,746	555
Local Emergency Planning	1,606	1,000	-	-	389	2,217
KEDDO (REAP)	4,025	59,573	-	-	63,573	25
Combined Total - All County Funds	\$ 9,569,542	\$ 17,975,978	\$ 74,070	\$ -	\$ 17,713,121	\$ 9,906,469

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, 2018**

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 for the maintenance and construction of county roads and bridges.

Assessor Revolving – accounts for the collection of fees for copies and disbursements 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 state statute for the preservation of records.

**McCURTAIN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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.

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.

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

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

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

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

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

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 collections 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.

**McCURTAIN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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.

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.

KEDDO (REAP) – accounts for state funds received to be expended for the purpose of Rural Enterprise Assistance Project (REAP) 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 greater of total county revenue with all other funds included in the audit presented in the aggregate in a combining statement. However, the County has elected to present all funds included in the audit in the Statement of Receipts, Disbursements, and Changes in Cash Balances—Regulatory Basis.

D. Budget

Under current Oklahoma Statutes, a general fund and a county health department fund are the only funds required to adopt a formal budget. On or before the first Monday in July of each year, each officer or department head submits an estimate of needs to the governing body. The budget is 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

**McCURTAIN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

and object. To increase or decrease the budget by fund requires approval by the County Excise Board.

E. Cash and Investments

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

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

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

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

2. Ad Valorem Tax

The County's property tax is levied each October 1 on the assessed value listed as of January 1 of the same year for all real and personal property located in the County, except certain exempt property. Assessed values are established by the County Assessor within the prescribed guidelines established by the Oklahoma Tax Commission and the State Equalization Board. Title 68 O.S. § 2820.A. states, ". . . Each assessor shall thereafter maintain an active and systematic program of visual inspection on a continuous basis and shall establish an inspection schedule which will result in the individual visual inspection of all taxable property within the county at least once each four (4) years."

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

**McCURTAIN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

3. Other Information

A. Pension Plan

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

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

B. Other Post Employment Benefits (OPEB)

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

C. Contingent Liabilities

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

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

**McCURTAIN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

D. Sales Tax

On August 27, 1991, the voters of McCurtain County approved a permanent one-half percent (1/2%) sales tax becoming effective immediately. 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.

On November 9, 1999, 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.

On June 26, 2012, 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. In addition to all other city, county, and state excise taxes upon the gross proceeds or gross receipts derived from the services of furnishing of rooms hotel, apartment hotel, rental cabin or motel, for the furnishing of public lodging, except campsites; said tax beginning to be collected on the first day of the calendar quarter following this election, and permanent, provided that the proceeds of such additional 3% excise tax shall be distributed as follows:

- 5% - To the McCurtain County General Fund for McCurtain County Fair Board;
- 10% - To the McCurtain County General Fund for administrative cost;
- 85% - To the McCurtain County Tourism Authority to be named by the McCurtain County Commissioners.

The purpose of said additional 3% excise tax to be to promote, encourage, and develop tourism and recreational activities beneficial to McCurtain County. These funds are accounted for in the McCurtain County Tourism Authority fund, County General Fund, and McCurtain County Fair Board fund.

**McCURTAIN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

On June 28, 2016, the voters of McCurtain County approved a permanent renewal of a County sales tax of one-fourth of one percent (1/4%) presently being levied and assessed until rescinded by a vote of the qualified of the registered voters of McCurtain County; said tax continuing to be collected from April 1, 2017, all as set out in a resolution of the Board of County Commissioners of McCurtain County adopted March 28, 2016, providing that the one-fourth of one percent (1/4%) sales tax shall be used by the McCurtain County Hospital Authority, in its discretion, 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 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 support McCurtain Memorial Medical Management, Inc., with operating expenses, however, 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 \$284,449 of ad valorem taxes abated under this program for the fiscal year ended June 30, 2018.

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 Transfer

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

**McCURTAIN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

- \$74,070 was transferred from the Excess Resale Fund (a trust and agency fund) to the Resale Property fund in accordance with 68 O.S. § 313 (C).

G. Restatement of Fund Balance

The County General Fund and Assessor Visual Inspection fund balances at June 30, 2017 were inaccurately reported and corrected on the July 1, 2017 beginning balance. This decreased the Assessor Visual Inspection fund beginning balance to \$0 and increased the County General Fund beginning balance to \$790,826.

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, 2018

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 790,473	\$ 790,826	\$ 353
Less: Prior Year Outstanding Warrants	(78,603)	(78,603)	-
Less: Prior Year Encumbrances	(17,558)	(12,739)	4,819
Beginning Cash Balances, Budgetary Basis	694,312	699,484	5,172
Total Receipts, Budgetary Basis	2,772,938	2,883,513	110,575
Total Expenditures, Budgetary Basis	3,467,250	3,127,184	340,066
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	455,813	\$ 455,813
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		608	
Add: Current Year Outstanding Warrants		12,229	
Add: Current Year Encumbrances		54,037	
Ending Cash Balance		\$ 522,687	

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, 2018

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 780,662	\$ 780,662	\$ -
Less: Prior Year Outstanding Warrants	(14,098)	(14,098)	-
Less: Prior Year Encumbrances	(94,173)	(42,309)	51,864
Beginning Cash Balances, Budgetary Basis	672,391	724,255	51,864
Total Receipts, Budgetary Basis	691,520	746,742	55,222
Total Expenditures, Budgetary Basis	1,363,911	606,831	757,080
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	864,166	\$ 864,166
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		112,756	
Add: Current Year Outstanding Warrants		1,521	
Ending Cash Balance		\$ 978,443	

**McCURTAIN COUNTY, OKLAHOMA
NOTE TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

1. Budgetary Schedules

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

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**McCURTAIN COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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		\$ 87,317
Schools and Roads - Grants to States (Title I-Schools)	10.665		156,093
Schools and Roads - Grants to States (Title II)	10.665	17-RO-11080900-027	<u>88,029</u>
Total U.S. Department of Agriculture			<u>331,439</u>
U.S. DEPARTMENT OF INTERIOR			
Direct Grants:			
Payments in Lieu of Taxes	15.226		<u>262,591</u>
Total U.S. Department of Interior			<u>262,591</u>
U.S. DEPARTMENT OF TRANSPORTATION			
Passed Through the Oklahoma Highway Safety Office:			
State and Community Highway Safety	20.600	PT-18-03-13-03	9,070
State and Community Highway Safety	20.600	PT-17-03-13-02	<u>6,851</u>
Total U.S. Department of Transportation			<u>15,921</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed Through the Oklahoma Department of Emergency Management:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	4256 DR OK	<u>493,184</u>
Total U.S. Department of Homeland Security			<u>493,184</u>
Total Expenditures of Federal Awards			<u>\$ 1,103,135</u>

McCURTAIN COUNTY, OKLAHOMA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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 February 10, 2016 the President of the United States approved a Major Disaster Declaration for McCurtain County in response to December 26, 2015 to January 5, 2016 severe winter storms and flooding. The County incurred \$459,710 in eligible expenditures in the prior fiscal year ending June 30, 2016 and \$25,040 in eligible expenditures in the prior fiscal year ending June 30, 2017. The Federal Emergency Management Agency approved all project worksheets for this disaster in the fiscal year ending June 30, 2018. Therefore, expenditures on the schedule of expenditures of federal awards for CFDA #97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters) will include \$484,750 in eligible expenditures incurred in the fiscal year ending June 30, 2016, and June 30, 2017, and all eligible expenditures that were incurred in the fiscal year ending June 30, 2018.

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, 2018, 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 December 14, 2020.

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, 2018, 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.

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



Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses: 2018-002 and 2018-003

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 questioned costs as item 2018-005.

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.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

December 14, 2020

**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 McCurtain County's major federal program for the year ended June 30, 2018. McCurtain County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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 its major federal program for the year ended June 30, 2018.

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 2018-008 and 2018-009, 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

December 14, 2020

**McCURTAIN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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? No

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

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
97.036	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, 2018**

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 2018-002 — Lack of Segregation of Duties Over the Purchasing Process (Repeat Finding 2012-005, 2013-005, 2014-005, 2015-005, 2016-004, 2017-004)

Condition: Upon inquiry and observation of the County’s purchasing process, it was noted that there is a lack of segregation of duties:

- 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.

Additionally, the Purchasing Deputy has limited knowledge over allowable disbursements for restricted funds.

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. Also, policies and procedures have not been designed and implemented to ensure expenditures are appropriate for the designated funds.

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

Recommendation: The Oklahoma State Auditor & Inspector’s Office (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.

In addition, OSAI recommends designing and implementing internal controls to ensure expenditures are allowable for restricted funds.

**McCURTAIN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Management Response:

County Clerk: Implementation of controls for segregation of duties regarding the purchasing duties are currently in transition.

Criteria: The United States Government Accountability Office's *Standards for Internal Control in the Federal Government* (2014 version) aided in guiding our assessments and conclusion. Although this publication (GAO Standards) addresses controls in the federal government, this criterion can be treated as best practices and may be applied as a framework for an internal control system for state, local, and quasi-governmental entities.

The GAO Standards – Principle 10 – Design Control Activities – 10.03 states in part:

Segregation of duties

Management divides or segregates key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. This includes separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets so that no one individual controls all key aspects of a transaction or event.

Also, Principle 10 - Segregation of Duties states:

10.12 – Management considers segregation of duties in designing control activity responsibilities so that incompatible duties are segregated and, where such segregation is not practical, designs alternative control activities to address the risk.

10.13 – Segregation of duties helps prevent fraud, waste, and abuse in the internal control system. Management considers the need to separate control activities related to authority, custody, and accounting of operations to achieve adequate segregation of duties. In particular, segregation of duties can address the risk of management override. Management override circumvents existing control activities and increases fraud risk. Management addresses this risk through segregation of duties, but cannot absolutely prevent it because of the risk of collusion, where two or more employees act together to commit fraud.

10.14 – If segregation of duties is not practical within an operational process because of limited personnel or other factors, management designs alternative control activities to address the risk of fraud, waste, or abuse in the operational process.

Additionally, Objective of an Entity – Compliance Objectives – OV2.25 states:

Safeguarding of Assets

Management can develop from objectives more specific subobjectives throughout the organizational structure. Management defines subobjectives in specific and measurable terms that can be communicated to the personnel who are assigned responsibility to achieve

**McCURTAIN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

these subobjectives. Both management and personnel require an understanding of an objective, its subobjectives, and defined levels of performance for accountability in an internal control system.

Finding 2018-003 – Lack of 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, 2017-005)

Condition: The duties over the payroll process in the County Clerk’s office are not properly segregated.

- The Payroll Clerk enrolls new employees, inputs payroll information into the system, prepares the OPERS reports and state and federal tax reports. In addition, the Payroll Clerk processes payroll claims, prints and reviews payroll verification reports for errors, prints payroll warrants, and distributes payroll warrants.

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

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

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

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

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

Management Response:

County Clerk: Due to limited funds available the payroll department, payroll duties and processes 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: The GAO Standards – Principle 10 – Design Control Activities – 10.03 states in part:

Segregation of duties

Management divides or segregates key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. This includes separating the responsibilities

**McCURTAIN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets so that no one individual controls all key aspects of a transaction or event.

Additionally, Principle 10 - Segregation of Duties states:

10.12 – Management considers segregation of duties in designing control activity responsibilities so that incompatible duties are segregated and, where such segregation is not practical, designs alternative control activities to address the risk.

10.13 – Segregation of duties helps prevent fraud, waste, and abuse in the internal control system. Management considers the need to separate control activities related to authority, custody, and accounting of operations to achieve adequate segregation of duties. In particular, segregation of duties can address the risk of management override. Management override circumvents existing control activities and increases fraud risk. Management addresses this risk through segregation of duties, but cannot absolutely prevent it because of the risk of collusion, where two or more employees act together to commit fraud.

10.14 – If segregation of duties is not practical within an operational process because of limited personnel or other factors, management designs alternative control activities to address the risk of fraud, waste, or abuse in the operational process.

Finding 2018-005 — Noncompliance Over Disbursements (Repeat Finding 2017-009, 2016-009, 2015-010, 2014-010, 2013-012, 2012-012, 2011-011, 2010-010, 2009-005, 2008-005)

Condition: Of sixty-two (62) disbursements tested, four (4) disbursements were not timely encumbered.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure the County is in compliance with state statute regarding the disbursement process.

Effect of Condition: This condition resulted in noncompliance with state statutes and could result in unrecorded transactions, undetected errors, inaccurate records, incomplete information, and misappropriation of funds.

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

Management Response:

County Clerk: Our office is working with all departments in order to ensure compliance regarding the timely encumbrance of purchase orders.

**McCURTAIN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Chairman of the Board of County Commissioners: We are currently taking steps to correct this action, by educating our officers on proper processes.

Criteria Title 19 O.S. § 1505 requires that funds be encumbered prior to the ordering of goods or services.

SECTION 3— Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance

Finding 2018-008 – Lack of County-Wide Controls Over Major Federal Program - Disaster Grants - Public Assistance (Repeat Finding 2016-021)

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-4256

FEDERAL AWARD YEAR: 2018

CONTROL CATEGORY: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Matching; and Period of Performance

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 are currently assessing ways to design controls that will be effective.

County Clerk: I will update the County on the information as provided on the federal grant website in the County Officer meetings.

County Treasurer: We will review the Auditor's recommendation for implementation to correct this issue.

**McCURTAIN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

The non-Federal entity must:

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

Also, the GAO Standards – Section 1 – Fundamental Concepts of Internal Control – OV1.01 states in part:

Definition of Internal Control

Internal control is a process effected by an entity’s oversight body, management, and other personnel that provides reasonable assurance that the objectives of an entity will be achieved.

Additionally, GAO Standards – Section 2 – Establishing an Effective Internal Control System – OV2.04 states in part:

Components, Principles, and Attributes

Control Environment - The foundation for an internal control system. It provides the discipline and structure to help an entity achieve its objectives.

Risk Assessment - Assesses the risks facing the entity as it seeks to achieve its objectives. This assessment provides the basis for developing appropriate risk responses.

Information and Communication - The quality information management and personnel communicate and use to support the internal control system.

Monitoring - Activities management establishes and operates to assess the quality of performance over time and promptly resolve the findings of audits and other reviews.

Finding 2018-009 – Lack of Internal Controls Over Major Federal Program - Disaster Grants - Public Assistance (Repeat Finding 2016-023)

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-4256

FEDERAL AWARD YEAR: 2018

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

**McCURTAIN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Matching; and Period of Performance

QUESTIONED COSTS: \$-0-

Condition: During the process of documenting the County’s internal controls regarding federal disbursements, we noted the County has not established procedures to ensure compliance with the following compliance requirement: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Matching; and Period of Performance.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure compliance with Uniform Grant Guidance requirements.

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

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

Management Response:

Chairman of the Board of County Commissioners: We will work together to create procedures to ensure compliance.

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.

County Treasurer: We will review the Auditor’s recommendation for implementation to correct this issue.

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

The non-Federal entity must:

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

The GAO Standards – Section 1 – Fundamental Concepts of Internal Control – OV1.01 states in part:

Definition of Internal Control

Internal control is a process effected by an entity’s oversight body, management, and other personnel that provides reasonable assurance that the objectives of an entity will be achieved.

**McCURTAIN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Additionally, GAO Standards – Section 2 – Establishing an Effective Internal Control System – OV2.04 states in part:

Components, Principles, and Attributes

Control Activities – The actions management establishes through policies and procedures to achieve objectives and respond to risks in the internal control system, which includes the entity’s information system.

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, 2018**

Finding No.	Title (Financial) or CFDA No. & Program Name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2018-002	Segregation of Duties Over the Purchasing Process	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.	7/1/20	Karen Bryan, County Clerk
2018-003	Segregation of Duties Over the Payroll Process	Due to limited funds available the payroll department, payroll duties and processes 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.	7/1/20	Karen Bryan, County Clerk
2018-005	Noncompliance Over Disbursements	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.	7/1/20	Karen Bryan, County Clerk
2018-008	County-Wide Controls Over Federal Major Program - Disaster Grants	The Board of County Commissioners, along with the other officers are currently assessing ways to design controls that will be effective in preventing this in the future.	7/1/20	Chris White, Chairman of the BOCC
2018-009	Internal Controls Over Major Federal Program - Disaster Grants	The Board of County Commissioners, along with the other officers will work together to create effective procedures to ensure compliance.	7/1/20	Chris White, Chairman of the BOCC

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, 2018**

FINANCIAL AUDIT FINDINGS

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

Finding Summary: Upon inquiry, the County Treasurer's office did not have a Disaster Recovery Plan.
Status: Corrective action was taken.

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

Finding Summary: 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.

Status: Corrective action was taken.

**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**

Inadequate Segregation of Duties – County Treasurer's Office

Finding Summary: 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.

Status: Corrective action was taken.

Finding 2012-005, 2013-005, 2014-005, 2015-005, 2016-004

Inadequate Segregation of Duties Over the Purchasing Process

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. Due to limited funds available the purchasing department, purchasing duties and processes are primarily limited to one deputy. Implementation of controls for segregation of duties regarding the purchasing duties are currently in transition.

Finding 2008-002, 2009-002, 2010-018, 2011-018, 2012-006, 2013-006, 2014-006, 2015-006, 2016-005

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. Due to limited funds available the payroll department, payroll duties and processes 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.

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

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

Status: Corrective action was taken.

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

Finding Summary: 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.

Status: Corrective action was taken.

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

Finding Summary: 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.

Status: Not Corrected. In an effort to remedy the lack of knowledge regarding proper purchasing procedures, the County Clerks' 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.

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

Pass-Through Grantor: Oklahoma State Treasurer

Federal Agency: U.S. Department of Agriculture

CFDA No: 10.665

Federal Program Name: Schools and Roads – Grants to States

Federal Award Year: 2016

Control Category: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Cash Management

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. In an effort to remedy the lack of knowledge regarding County-wide internal controls, the Board of County Commissioners, along with the other officers are currently assessing ways to design controls that will be effective in preventing this in the future.

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-

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

Status: Not Corrected. In an effort to remedy the lack of knowledge regarding County-wide internal controls, the Board of County Commissioners, along with the other officers are currently assessing ways to design controls that will be effective in preventing this in the future.

Finding 2007-011, 2008-013, 2009-012, 2010-026, 2011-024, 2012-030, 2013-030, 2014-026, 2015-026, 2016-022

Inadequate Internal Controls Over Major Program – Schools and Roads

Pass-Through Grantor: Oklahoma State Treasurer

Federal Agency: U.S. Department of Agriculture

CFDA No: 10.665

Federal Program Name: Schools and Roads – Grants to States

Federal Award Year: 2016

Control Category: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Cash Management

Questioned Costs: \$-0-

Finding Summary: 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.

Status: Not Corrected. In an effort to remedy the lack of knowledge regarding internal controls, the Board of County Commissioners, along with the other officers will work together to create effective procedures to ensure compliance.

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

Control Category: Activities Allowed or Unallowed, Allowable Costs/Cost Principles

Questioned Costs: \$-0-

Finding Summary: 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.

Status: Not Corrected. In an effort to remedy the lack of knowledge regarding internal controls, the Board of County Commissioners, along with the other officers will work together to create effective procedures to ensure compliance.

O·K·L·A·H·O·M·A
S·A·I
STATE AUDITOR & INSPECTOR



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