

COUNTY AUDIT

MCCURTAIN COUNTY

For the fiscal year ended June 30, 2011



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



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

**McCURTAIN COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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Oklahoma State Auditor & Inspector

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December 13, 2012

TO THE CITIZENS OF
McCURTAIN COUNTY, OKLAHOMA

Transmitted herewith is the audit of McCurtain County, Oklahoma for the fiscal year ended June 30, 2011. 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 "Gary A. Jones".

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

**McCURTAIN COUNTY, OKLAHOMA
FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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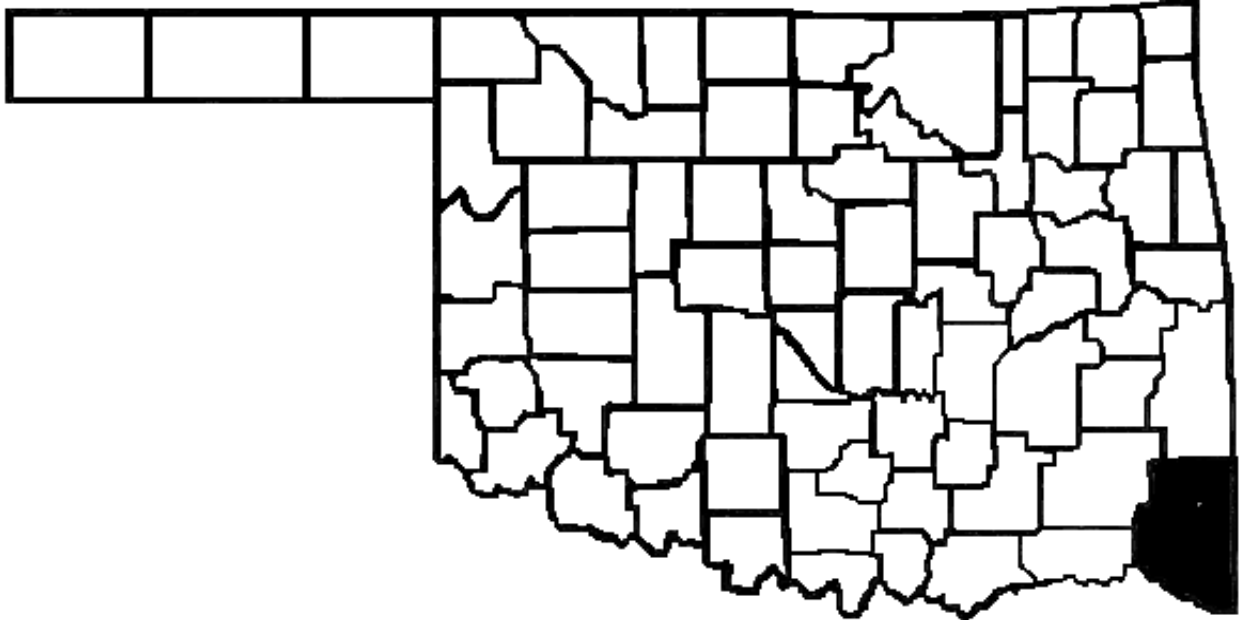
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**McCURTAIN COUNTY, OKLAHOMA
FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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



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

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

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

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

County Seat – Idabel

Area – 1,901.32 Square Miles

County Population – 33,370
(2009 est.)

Farms – 1,796

Land in Farms – 339,615 Acres

Primary Source: Oklahoma Almanac 2011-2012

See independent auditor's report.

**McCURTAIN COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

COUNTY ASSESSOR

Stan Lyles

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

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

COUNTY CLERK

Karen Conaway

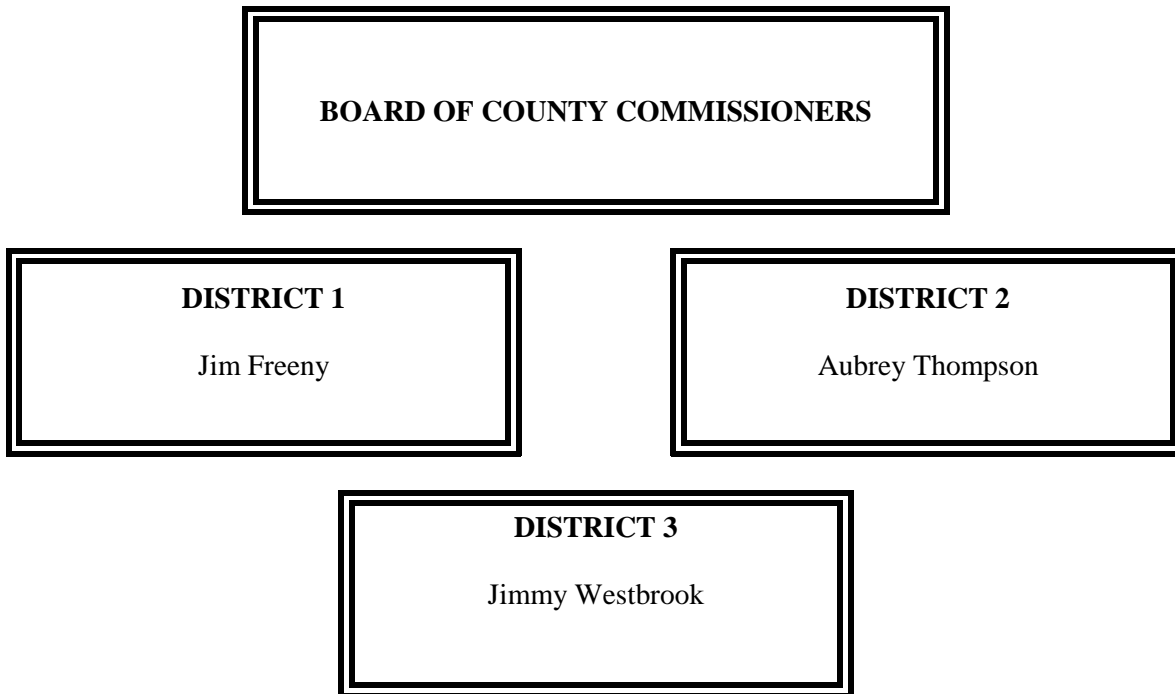
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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

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

See independent auditor's report.

**McCURTAIN COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**



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

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

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

See independent auditor's report.

**McCURTAIN COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

COUNTY SHERIFF

Johnny Tadlock

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

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

COUNTY TREASURER

JoAnn Strawn

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

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

See independent auditor's report.

**McCURTAIN COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

COURT CLERK

Vicki Justus

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

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

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

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

DISTRICT ATTORNEY

Mark Matloff

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

See independent auditor's report.

**McCURTAIN COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

ELECTION BOARD SECRETARY

Lue Davis

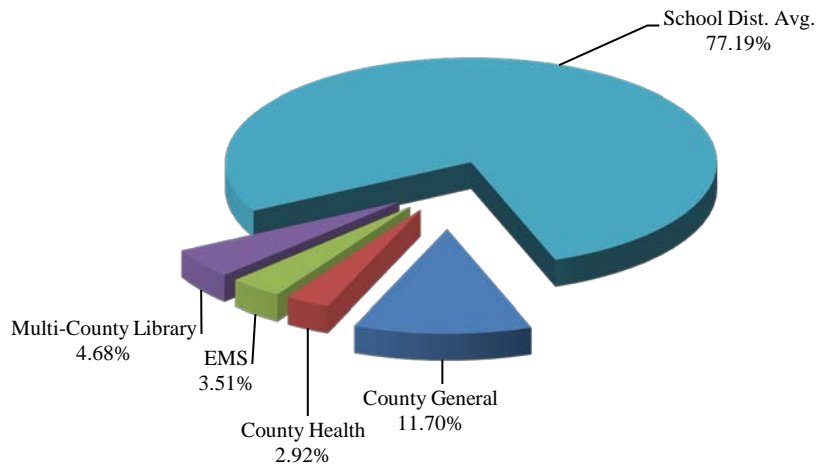
The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the county. The Board also conducts all elections held within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

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

See independent auditor's report.

**McCURTAIN COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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



County-Wide Millages		School District Millages								
				Gen.	Bldg.	Skg.	Career Tech	Career Tech Bldg.	Common	Total
County General	10.13									
County Health	2.53	Forest Grove	C-1	35.88	5.13		10.13	2.03	4.05	57.22
EMS	3.04	Idabel	I-5	35.63	5.09	22.90	10.13	2.03	4.05	79.83
Multi-County Library	4.05	Haworth	I-6	36.23	5.18	23.63	10.13	2.03	4.05	81.25
		Lukfata	C-9	35.70	5.10	6.30	10.13	2.03	4.05	63.31
		Valliant	I-11	35.14	5.02		10.13	2.03	4.05	56.37
		Eagletown	I-13	35.53	5.08	13.29	10.13	2.03	4.05	70.11
		Smithville	I-14	35.56	5.08	9.75	10.13	2.03	4.05	66.60
		Glover	C-23	35.88	5.13	21.87	10.13	2.03	4.05	79.09
		Denison	C-37	35.84	5.12		10.13	2.03	4.05	57.17
		Wright City	I-39	35.46	5.07		10.13	2.03	4.05	56.74
Battiest	I-71	35.67	5.10		10.13	2.03	4.05	56.98		
Holly Creek	C-72	36.51	5.22	16.01	10.13	2.03	4.05	73.95		
Broken Bow	I-74	35.46	5.07	13.56	10.13	2.03	4.05	70.30		

See independent auditor's report.

**McCURTAIN COUNTY, OKLAHOMA
COMPUTATION OF LEGAL DEBT MARGIN
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

Total net assessed value as of January 1, 2010		<u>\$ 165,674,751</u>
Debt limit - 5% of total assessed value		8,283,738
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	<u>16</u>	<u>-</u>
Legal debt margin		<u>\$ 8,283,738</u>

See independent auditor's report.

**McCURTAIN COUNTY, OKLAHOMA
RATIO OF NET GENERAL BONDED DEBT TO ASSESSED
VALUE AND NET BONDED DEBT PER CAPITA
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

	2011
Estimated population	33,370
Net assessed value as of January 1, 2010	\$ 165,674,751
Gross bonded debt	-
Less available sinking fund cash balance	16
Net bonded debt	\$ -
Ratio of net bonded debt to assessed value	0.00%
Net bonded debt per capita	\$ -

See independent auditor's report.

McCURTAIN COUNTY, OKLAHOMA
ASSESSED VALUE OF PROPERTY
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)

Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2010	\$52,509,538	\$23,853,858	\$97,785,150	\$8,473,795	\$165,674,751	\$ 1,474,741,972

See independent auditor's report.

FINANCIAL SECTION



Oklahoma State Auditor & Inspector

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

Independent Auditor's Report

TO THE OFFICERS OF
McCURTAIN COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of McCurtain County, Oklahoma, as of and for the year ended June 30, 2011, listed in the table of contents as the basic financial statement. This financial statement is the responsibility of McCurtain County's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of McCurtain County as of June 30, 2011, or changes in its financial position for the year then ended.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash of McCurtain County, for the year ended June 30, 2011, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2012, on our consideration of McCurtain County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

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

December 5, 2012

Basic Financial Statement

McCURTAIN COUNTY, OKLAHOMA
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
(WITH COMBINING INFORMATION)
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Beginning Cash Balances July 1, 2010	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2011
Combining Information:						
County General Fund	\$ 69,717	\$ 2,434,270	\$ -	\$ -	\$ 2,348,031	\$ 155,956
Highway Cash	452,886	5,904,564		6,358	4,558,840	1,792,252
County Health Department	545,339	533,513			490,689	588,163
Resale Property	132,912	125,210			101,033	157,089
Treasurer Mortgage Tax Certification Fee	7,213	6,270				13,483
County Clerk Lien Fee (F-4)	7,929	7,652			10,641	4,940
Assessor's Revolving (H-4)	1,304	2,124			2,094	1,334
Assessor Visual Inspection	369					369
Sheriff Service Fee	110,871	288,753			261,357	138,267
Pine Creek Patrol	4,060	9,641			8,466	5,235
McCurtain County Sheriff's Office	174,099	691,074			782,410	82,763
Solid Waste	182,441	1,424,032			1,386,016	220,457
County Clerk Preservation Fee	15,661	27,830			25,187	18,304
Capital Improvement Fund	23,885				23,885	
Federal Highway Assistance	310	2				312
McCurtain County Tourism Authority	275,111	374,723			260,807	389,027
County Sinking	16					16
Federal Forest	127,102	783				127,885
Emergency Management Authority/Use Tax	271,265	309,631	6,358		308,574	278,680
Sheriff's Confiscated Drug Fund	2,056				300	1,756
Hospital Authority	250,817	6,543			197,004	60,356
Resale Payroll	8,769	40,000			36,694	12,075
McCurtain County Volunteer Fire Department	977,367	685,429			540,009	1,122,787
CK-3037 Civic		2,673				2,673
CK-12041 Old Broken Bow Highway	38,080					38,080
CK-4031RWD # 9		14,700			14,700	
CK-4030 Ringold VFD		20,000			20,000	
CK-4035 Tom Community Center		4,404			4,404	
CK-4037 N4680 Road		32,027				32,027
CK-4038 Tebo Jones		454				454
CK-5028 Sherwood		8,650			8,650	
Combined Total -- All County Funds	\$ 3,679,579	\$ 12,954,952	\$ 6,358	\$ 6,358	\$ 11,389,791	\$ 5,244,740

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, 2011**

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

B. Fund Accounting

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

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

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

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

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

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

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

**McCURTAIN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**McCURTAIN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

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

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

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

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

CK-3037 Civic – accounts for state funds to be used for the construction of roads.

CK-12041 Old Broken Bow Highway – accounts for state funds to be used for the construction of roads.

CK-4031RWD # 9 – accounts for state funds to be used for the construction of new waterlines.

CK-4030 Ringold VFD – accounts for state funds to be used for the construction of a fire department at the Ringold community.

CK-4035 Tom Community Center – accounts for state funds to be used for capital outlay purchases at the Tom Community Center.

CK-4037 N4680 Road – accounts for state funds to be used for the construction of roads.

CK-4038 Tebo Jones – accounts for state funds to be used for the construction of roads.

CK-5028 Sherwood – accounts for state funds to be used for capital outlay purchases at the Sherwood fire department.

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

**McCURTAIN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

C. Basis of Accounting

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

D. Budget

Under current Oklahoma Statutes, 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.

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

E. Cash and Investments

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

Allowable investments for general purposes include certificates of deposit, savings accounts, and direct obligations of the U.S. Government and its Agencies. The County's investments include certificates of deposit which are carried on the County's books at cost. At June 30, bank balances of the County's demand accounts totaled \$10,951,205 and investments in certificates of deposit totaled \$402,175.

Custodial credit risk for deposits is the risk that in the event of bank failure, the County's deposits may not be returned or the County will not be able to recover collateral securities in the possession of an outside party. State statutes require financial institutions with which the County maintains funds to deposit collateral securities to secure the County's deposits. The amount of collateral securities to be pledged is established by the County Treasurer; this amount must be at least the amount of the deposit to be secured, less the amount insured (by, for example, the FDIC).

**McCURTAIN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

The County Treasurer did not ensure deposits were adequately collateralized and at June 30, 2011, the amounts deposited were exposed to custodial credit risk in the amount of \$1,167.

F. Compensated Absences

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

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

2. Ad Valorem Tax

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

The assessed property value as of January 1, 2010, was approximately \$165,674,751.

Per Article 10, § 8A, with the repeal of personal property tax, the millages with the adjustment factor are 10.13 mills (the legal maximum) for general fund operations, 2.53 mills for county health department, 4.05 mills for multi-county library, and 3.04 mills for emergency medical service. In addition, the County collects the ad valorem taxes assessed by school districts and remits the ad valorem taxes collected to the appropriate taxing units.

Taxes are due on November 1 following the levy date, although they may be paid in two equal installments. If the first half is paid prior to January 1, the second half is not delinquent until April 1. Unpaid real property taxes become a lien upon said property on October 1 of each year.

Current year tax collections for the year ended June 30, 2011 were approximately 91.33 percent of the tax levy.

3. Fuel Tax

The County receives major funding for roads and highways from a state imposed fuel tax. Taxes are collected by the Oklahoma Tax Commission. Taxes are imposed on all gasoline, diesel, and special fuel sales statewide. The County's share is determined on formulas based on the County

**McCURTAIN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

population, road miles, and land area and is remitted to the County monthly. These funds are earmarked for roads and highways only and are accounted for in the county highway fund.

4. Risk Management

ACCO-SIG – The County is exposed to the various risks of loss related to torts; theft, damage, or destruction of assets; errors or omissions; injuries to employees; or acts of God. The County participates in a public entity risk pool: Association of County Commissioners of Oklahoma-Self-Insurance Group (ACCO-SIG). If claims exceed the authorized deductibles, the County could have to pay its share of any pool deficit. A judgment could be assessed for claims in excess of the pool's limits.

OPEH&WP – The County has entered into an interlocal agreement with other governmental entities to participate in a pooled self-insurance fund to provide insurance coverage. The pool provides for surcharges to be assessed for claims in excess of pool assets to offset pool deficits. Settled claims have not exceeded insurance coverage for each of the past three fiscal years. There have been no significant reductions in coverage from the prior fiscal year.

5. Long-term Obligations

Capital Leases

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

6. Pension Plan

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

**McCURTAIN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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.

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

7. Other Post Employment Benefits (OPEB)

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

8. Contingent Liabilities

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

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

9. Sales Tax

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

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

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

**McCURTAIN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

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

10. Transfers

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

- \$6,358 was transferred from the Highway Cash Fund to the Emergency Management Authority/Use Tax Fund for the repayment of expenditures related to construction of a bridge.

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, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Beginning Cash Balances	\$ 69,717	\$ 69,717	\$ -
Less: Prior Year Outstanding Warrants	(82,972)	(82,972)	
Less: Prior Year Encumbrances	(12,189)	(10,327)	1,862
Beginning Cash Balances, Budgetary Basis	<u>(25 444)</u>	<u>(23 582)</u>	<u>1,862</u>
Receipts:			
Ad Valorem Taxes	1,596,931	1,645,840	48,909
Charges for Services	87,986	95,411	7,425
Intergovernmental Revenues	592,061	592,329	268
Miscellaneous Revenues	214,269	100,690	(113,579)
Total Receipts, Budgetary Basis	<u>2,491,247</u>	<u>2,434,270</u>	<u>(56,977)</u>
Expenditures:			
District Attorney	7,500	7,344	156
County Sheriff	257,600	257,257	343
County Treasurer	164,202	160,323	3,879
County Commissioners	229,216	220,767	8,449
OSU Extension	99,968	99,954	14
County Clerk	202,638	201,752	886
Court Clerk	118,288	118,282	6
County Assessor	162,983	162,287	696
Revaluation of Real Property	269,204	265,120	4,084
Juvenile Shelter Bureau	23,220	21,664	1,556
District Court	29,400	22,989	6,411
General Government	211,128	136,192	74,936
Excise-Equalization Board	11,822	11,122	700
County Election Board	93,135	89,508	3,627
Insurance - Benefits	508,808	471,378	37,430
Charity	3,950	3,922	28
County Audit Budget Account	16,553		16,553
County Cemetery Account	30,515	30,515	
Free Fair Budget Account	15,673	12,673	3,000
Other Uses		8,069	(8,069)
Provision for Interest on Warrants	10,000		10,000
Total Expenditures, Budgetary Basis	<u>2,465,803</u>	<u>2,301,118</u>	<u>164,685</u>

continued on next page

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

McCURTAIN COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

continued from previous page

Excess of Receipts and Beginning Cash Balances Over Expenditures, Bbudgetary Basis	\$ -	109,570	\$ 109,570
	<u> </u>		<u> </u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		39,134	
Add: Current Year Encumbrances		<u>7,252</u>	
Ending Cash Balance		<u>\$ 155,956</u>	

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

McCURTAIN COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
COUNTY HEALTH DEPARTMENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 545,339	\$ 545,339	\$ -
Less: Prior Year Outstanding Warrants	(17,068)	(17,068)	
Less: Prior Year Encumbrances	(23,888)	(22,708)	1,180
Beginning Cash Balances, Budgetary Basis	<u>504,383</u>	<u>505,563</u>	<u>1,180</u>
Receipts:			
Ad Valorem Taxes	380,710	411,051	30,341
Intergovernmental Revenues		122,462	122,462
Miscellaneous Revenues	22,438	-	(22,438)
Total Receipts, Budgetary Basis	<u>403,148</u>	<u>533,513</u>	<u>130,365</u>
Expenditures:			
Health and Welfare	907,531	512,640	394,891
Other Uses		19,228	(19,228)
Total Expenditures, Budgetary Basis	<u>907,531</u>	<u>531,868</u>	<u>375,663</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	507,208	<u>\$ 507,208</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		51,409	
Add: Current Year Encumbrances		29,546	
Ending Cash Balance		<u>\$ 588,163</u>	

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

**McCURTAIN COUNTY, OKLAHOMA
DETAILED SCHEDULE OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES—SINKING FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

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

**McCURTAIN COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

1. Budgetary Schedules

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

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

2. Sinking Fund Schedule

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

See independent auditor's report.

**McCURTAIN COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through Oklahoma State Treasurer:			
Schools and Roads - Grants to States	10.665		\$ 420,182
Direct Grant:			
Community Facilities Loans and Grants	10.766		13,145
Total U.S. Department of Agriculture			<u>433,327</u>
U.S. DEPARTMENT OF INTERIOR			
Direct Grant:			
Payments in Lieu of Taxes	15.226		92,422
Total U.S. Department of Interior			<u>92,422</u>
U.S. DEPARTMENT OF JUSTICE			
Passed Through State District Attorneys Council:			
Violence Against Women Formula Grants	16.588	V09-021	34,864
Violence Against Women Formula Grants	16.588	V10-020	36,853
Total CFDA 16.588			<u>71,717</u>
Direct Grant:			
Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government	16.804	2009-SB-B9-3141	428
Total U.S. Department of Justice			<u>72,145</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed Through Oklahoma Department of Emergency Management:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	1752 DR OK	11,447
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	1876 DR OK	47,974
Total U.S. Department of Homeland Security			<u>59,421</u>
Total Expenditures of Federal Awards			<u><u>\$ 657,315</u></u>

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

**McCURTAIN COUNTY, OKLAHOMA
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Basis of Presentation

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

See independent auditor's report.

INTERNAL CONTROL AND COMPLIANCE SECTION



Oklahoma State Auditor & Inspector

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

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

TO THE OFFICERS OF
McCURTAIN COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of McCurtain County, Oklahoma, as of and for the year ended June 30, 2011, which comprises McCurtain County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated December 5, 2012. Our report on the basic financial statement was adverse because the statement is not a presentation in conformity with accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be 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 in internal control described in the accompanying schedule of findings and questioned costs to be material weaknesses in internal control over financial reporting. 2011-1, 2011-3, 2011-4, 2011-10, 2011-11, 2011-12, 2011-13, 2011-16, 2011-17, and 2011-18.

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 in internal control described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting, 2011-2, 2011-5, 2011-6, 2011-8, 2011-9, and 2011-14.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether McCurtain County's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

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

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



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

December 5, 2012



Oklahoma State Auditor & Inspector

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

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

TO THE OFFICERS OF
McCURTAIN COUNTY, OKLAHOMA

Compliance

We have audited the compliance of McCurtain County, Oklahoma, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on McCurtain County's major federal program for the year ended June 30, 2011. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of McCurtain County's management. Our responsibility is to express an opinion on McCurtain County's compliance based on our audit.

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

As described in item 2011-25, in the accompanying schedule of findings and questioned costs, McCurtain County did not comply with requirements regarding Procurement that are applicable to its Schools and Roads – Grants to States program. Compliance with such requirements is necessary, in our opinion, for McCurtain County to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the County, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2011. The results of our auditing procedures also disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2011-24.

Internal Control Over Compliance

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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2011-22, 2011-23, 2011-24, and 2011-25 to be material weaknesses.

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

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



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

December 5, 2012

**McCURTAIN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

SECTION 1—Summary of Auditor’s Results

Financial Statements

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

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?..... No

Federal Awards

Internal control over major programs:

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

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

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

Identification of Major Programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.665	Schools and Roads – Grants to States
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?.....	No

**McCURTAIN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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 2011-1—Inadequate County-Wide Controls (Repeat Finding)

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

Cause of Condition: Procedures have not been designed to address risks of the County.

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

Recommendation: OSAI recommends that the County design procedures to identify and address risks. OSAI also recommends that the County design monitoring procedures to assess the quality of performance over time. These procedures should be written policies and procedures and could be included in the County’s policies and procedures handbook.

Examples of risks and procedures to address risk management:

Risks	Procedures
Fraudulent activity	Segregation of duties
Information lost to computer crashes	Daily backups of information
Noncompliance with laws	Attend workshops
Natural disasters	Written disaster recovery plans
New employee errors	Training, attending workshops, monitoring

Examples of activities and procedures to address monitoring:

Monitoring	Procedures
Communication between officers	Periodic meetings to address items that should be included in the handbook and to determine if the County is meeting its goals and objectives.
Annual Financial Statement	Review the financial statement of the County for accuracy and completeness.
Schedule of Expenditures of Federal Awards (SEFA)	Review the SEFA of the County for accuracy and to determine all federal awards are presented.
Audit findings	Determine audit findings are corrected.
Financial status	Periodically review budgeted amounts to actual amounts and resolve unexplained variances.
Policies and procedures	Ensure employees understand expectations in meeting the goals of the County.

**McCURTAIN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Following up on complaints	Determine source of complaint and course of action for resolution.
Estimate of needs	Work together to ensure this financial document is accurate and complete.

Management Response:

County Clerk: I will work together with County entities to achieve internal controls.

County Commissioner District 1: We plan to design procedures to identify and address risks.

County Commissioner District 2: We will take necessary steps to ensure that we design monitoring procedures to identify and address risks and monitor the quality of performance over time.

County Commissioner District 3: We plan to implement procedures to monitor, identify, and address risks.

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

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

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

Finding 2011-2—Footnote Disclosures (Repeat Finding)

Condition: Internal controls have not been developed to ensure all required disclosures are presented with the financial statement.

**McCURTAIN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Cause of Condition: Procedures have not been designed to prepare the accompanying notes to the financial statement.

Effect of Condition: The potential exists for misstatements to go undetected, specifically for the completeness of financial statement disclosures.

Recommendation: OSAI recommends the County consider one or more of the following controls:

- Having at least one staff member with sufficient skills necessary to understand the application of accounting principles in regards to the preparation of footnote disclosures.
- Contract an outside firm or individual to review or prepare the accompanying notes to the financial statement to ensure appropriate disclosures are presented.

Management Response:

County Treasurer: Management chose not to respond.

County Clerk: I will work together with County officials to ensure proper controls.

County Commissioner District 1: We will work to review or the financial statements and notes to ensure appropriate disclosures are presented.

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

County Commissioner District 3: We will take the necessary steps to ensure that proper documentation is maintained and work to implement a system of internal controls to provide reasonable assurance regarding the financial statements.

Criteria: The County's management is responsible for establishing internal control procedures to prevent or detect misstatements in a timely manner. Statement on Auditing Standards (SAS) No. 115 indicates that a control deficiency exists when management does not have adequate expertise to apply accounting principles to the financial statements or to review financial statements prepared on their behalf by others, to ensure they are prepared in accordance with these principles. Professional audit standards preclude the external financial statement auditor from performing any part of management's control activities or be a component of the internal controls over financial reporting as this would impair their independence.

Finding 2011-3— Segregation of Duties – Treasurer (Repeat Finding)

Condition: A lack of segregation of duties exists in the County Treasurer's office because one person is responsible for balancing all receipts to the deposit, preparing the deposit, posting daily receipts to the daily reports and general ledger, registering vouchers, preparing the monthly reports, and reconciling the bank accounts. In addition, this person is issuing receipts as needed.

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Cause of Condition: Procedures have not been designed to ensure adequate segregation of duties 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.

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

Management Response:

County Treasurer: This has been changed. I have three deputies doing this now.

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 2011-4— Reconciliations – County Treasurer (Repeat Finding)

Condition: Upon reviewing the Treasurer's ledgers, reconciliations, and supporting documentation the following was noted:

General Fund

- Three Treasurer's checks, outstanding for multiple years, have not been cancelled. The Treasurer's office was unable to provide any additional information of the following checks.
 - # 7811 in the amount of \$13.62
 - # 8621 in the amount of \$24.85
 - # 9440 in the amount of \$26.25

Official Depository

- An unknown error of \$0.36 has been listed on the outstanding disbursement list for multiple years.

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Investments

- Reconciliations for investment accounts were not performed.
- The general ledger was overstated by \$16,062.96 at June 30, 2011, due to error made when a certificate of deposit was cashed in on behalf of a trust and agency account.

Cause of Condition: Procedures have not been designed to ensure the bank account balances are reconciled to the General Ledger.

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

Recommendation: OSAI recommends that the General Ledger be maintained and reconciled to the bank statements for all demand and investment accounts on a monthly basis with all reconciling items investigated.

Management Response:

County Treasurer: We will work on this.

Criteria: To ensure a proper accounting of funds, the County Treasurer should reconcile accounting records to bank balances on a monthly basis, with all reconciling items properly identified. Reconciliations should be reviewed and approved by someone other than the preparer.

Finding 2011-5— Computer Access - County Treasurer (Repeat Finding)

Condition: After interviewing the County Treasurer, we noted that the County Treasurer has a list of all employees' passwords in her desk.

Cause of Condition: Procedures have not been designed to ensure the security of the employee passwords.

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

Recommendation: OSAI recommends passwords be maintained so that only the employee has access to his/her password.

Management Response:

County Treasurer: Currently, I do not have deputies' passwords; this was the practice of the former Treasurer.

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

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roles and responsibilities, policies, standards, and procedures. Security management also includes performing security monitoring and periodic testing and implementing corrective actions for identified security weaknesses or incidents. Effective security management protects all IT assets to minimize the business impact of security vulnerabilities and incidents.

Finding 2011-6— Disaster Recovery Plan (Repeat Finding)

Condition: There are no procedures designed regarding the County’s contingency plan in the event of a disaster. The County Treasurer, County Clerk, and County Assessor offices do not have written Disaster Recovery Plans.

Cause of Condition: Procedures have not been designed regarding the continuance of County business activities in the event of a disaster.

Effect of Condition: This condition 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.

Recommendation: OSAI recommends the County develop a Disaster Recovery Plan that has procedures addressing how critical information and/or systems would be restored in the event of a disaster.

Management Response:

County Treasurer: Management chose not to respond.

County Assessor: Management chose not to respond.

County Clerk: We are addressing this issue and the County’s needs regarding the disaster recovery plan.

County Commissioner District 1: We plan to work to develop a disaster recovery plan to restore critical information stored in our systems in the event of a disaster.

County Commissioner District 2: We will work to develop a formal plan to ensure County business could continue uninterrupted in the case of a disaster.

County Commissioner District 3: We plan to implement procedures to restore important County information in the event of a disaster.

Criteria: An important aspect of internal control is the safeguarding of assets which includes adequate Disaster Recovery Plans. Internal control 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.

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According to the standards of the Information Systems Audit and Control Association (CobiT Delivery and Support 4), management should ensure that a written Disaster Recovery Plan is documented and outlines the County's procedures to restore critical services.

The Disaster Recovery Plan should include the following:

- Current names, addresses, contact numbers of key county personnel and their roles and responsibilities of information services function;
- Listing of service providers and vendors;
- Information on location of key resources, including back-up site for recovery operating system, applications, data files, operating manuals and program/system/user documentation;
- Alternative work locations once IT resources are available.

Finding 2011-8— County Funds Under Pledged (Repeat Finding)

Condition: While performing a review of the County's pledged collateral, the following was noted:

The County's bank account balances and investments were underpledged at April 15, 2011, as noted:

- Accounts and investments held at an investment firm were underpledged by \$885.26.

The County's bank account balances and investments were underpledged at June 30, 2011, as noted:

- Accounts and investments held at an investment firm were underpledged by \$1,166.70.

Cause of Condition: Procedures have not been designed to ensure daily bank deposits are adequately secured.

Effect of Condition: Failure to adequately secure account balances could result in a violation of state statutes and possible loss of assets.

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

Management Response:

County Treasurer: I am currently keeping up with the pledges and the County no longer has the account with the investment firm.

Criteria: 62 O.S. § 511 states:

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

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62 O.S. § 517.3 states:

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

Further, effective internal controls would include monitoring the daily bank balances to the amount of securities pledged to protect the County against loss of investments.

Finding 2011-9— Authorization to Invest

Condition: After reviewing the minutes of the BOCC for fiscal year 2011, authorization for the County Treasurer to invest county funds could not be located.

Cause of Condition: Procedures have not been designed to ensure that the BOCC authorizes the County Treasurer to invest funds.

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

Recommendation: OSAI recommends the County Treasurer obtain authorization from the BOCC to invest county funds annually.

Management Response:

County Treasurer: Management chose not to respond.

County Commissioner District 1: We will work to ensure that the BOCC authorizes the County Treasurer to invest county funds and include this authorization in the minutes of the BOCC meeting.

County Commissioner District 2: We plan to review this finding and correct it by authorizing the investing of county funds and including that action in the minutes.

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

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Effective internal controls include obtaining proper authorization to invest funds.

62 O.S. § 348.1 states in part:

A county treasurer, when authorized by the board of county commissioners by a written investment policy, ordinance or resolution or the treasurer of any city or town, when authorized by the appropriate governing body by a written investment policy, ordinance or resolution, shall invest monies in the custody of the treasurer.

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Finding 2011-10— Cash Voucher Ledger-County Clerk (Repeat Finding)

Condition: The County Clerk's office does not maintain ledgers reflecting cash voucher accounts.

Cause of Condition: Procedures have not been designed regarding ledgers for the cash voucher accounts.

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

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

Management Response:

County Clerk: I am checking with other Counties in order to be consistent with the design of an accounting ledger for the cash voucher accounts. At this time, a ledger reflecting cash voucher amounts is being maintained by the County Clerk's Office.

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.

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 2011-11— Expenditure Test (Repeat Finding)

Condition: Of the 38 expenditures tested, the following exceptions were noted:

- Eleven were not timely encumbered.
- Two were not reviewed or authorized.

Cause of Condition: Procedures have not been implemented regarding the purchasing process.

Effect of Condition: The County runs the risk of misappropriation of funds and the possibility of not having adequate funds available to pay for expenses incurred.

Recommendation: OSAI recommends the County implement proper purchasing procedures. All purchases should be properly requisitioned, encumbered, approved, and received with proper supporting documentation attached.

Management Response:

County Clerk: In the event that proper purchasing procedures were not followed, the County Clerk's office states the issue on the face of the purchase order before submitting to the Board of County Commissioners for approval.

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County Commissioner District 1: We will make every effort to ensure that all state purchasing procedures are followed.

County Commissioner District 2: We plan to take steps to better understand and practice proper purchasing procedures.

County Commissioner District 3: We plan to implement procedures to ensure that all purchases are properly requisitioned, encumbered, approved, and received with proper supporting documentation attached.

Criteria: Statutory control procedures have been established for the requisition, purchase, lease-purchase, rental, and receipt of supplies, material, and equipment for maintenance, operation and capital expenditures of county government.

19 O.S. § 1505.C.2 states in part:

The county clerk shall then encumber the amount stated on the purchase order and assign a sequential number to the purchase order.

19 O.S. § 1505.C.3 states in part:

...In instances where it is impossible to ascertain the exact amount of indebtedness sought to be incurred at the time of recording the encumbrance, an estimated amount may be used. No purchase order shall be valid unless signed by the county purchasing agent and certified by the county clerk.

19 O.S. § 1505.E.10 states:

Upon receipt of an invoice the county clerk shall compare the following documents: a. requisition, b. purchase order, c. invoice with non-collusion affidavit, as required by law, d. receiving report, and e. delivery document.

Finding 2011-12— Reconciliation of the Appropriation Ledger to General Ledger (Repeat Finding)

Condition: Based on our documentation of controls, reconciliations are not performed between the County Clerk's Appropriation Ledger and the Treasurer's General Ledger.

Cause of Condition: Procedures have not been designed to ensure the reconciliation of the County Clerk's Appropriation Ledger with the Treasurer's General Ledger.

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

Recommendation: OSAI recommends management take steps to ensure reconciliations are performed between the County Clerk's Appropriation Ledger and the Treasurer's General Ledger.

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Management Response:

County Clerk: Action has been taken to correct this finding. The County Clerk's office is currently working with the County Treasurer's office to ensure reconciliations are performed.

Criteria: To ensure a proper accounting of funds, the County Clerk's Appropriation Ledger should be reconciled monthly to the Treasurer's General Ledger.

Finding 2011-13— Expenditures for the Volunteer Fire Department (Repeat Finding)

Condition: While reviewing the expenditures from the McCurtain County Volunteer Fire Department Funds, it was noted that sixteen of the sixty nine expenditures tested had falsified invoices. Of these invoices, one was submitted by Rufe VFD and fifteen were submitted by Eagletown VFD. In addition, two expenditures of the sixty- nine tested were payments directly to Eagletown VFD for reimbursement. Supporting documentation for reimbursement was not submitted.

Cause of Condition: Management chose not to comply with statutory requirements regarding purchasing, and did not implement procedures to prevent or detect unauthorized transactions and to safeguard funds from fraud and misappropriation.

Effect of Condition: This condition could result in noncompliance to laws and regulations, and without proper accounting and safeguarding, there is an increased risk of misappropriation of funds.

Recommendation: OSAI recommends that the County review all expenditures and supporting documentation prior to payment to ensure compliance with state statute. Further, the supporting documentation should include the invoice received from vendor.

Management Response:

County Clerk: The County Clerk's office is working with the volunteer fire departments in ensure all expenditures are supported with proper documentation in order to comply with state statutes.

County Commissioner District 1: We will work to implement procedures to prevent or detect unauthorized transactions and to safeguard funds from fraud and misappropriation.

County Commissioner District 2: We plan to review all expenditures and supporting documentation including the invoice received from the vendor prior to payment to ensure compliance with state statute.

County Commissioner District 3: We will make every effort to analyze and check accuracy, completeness, and authorization of purchasing transactions and supporting documentation.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls over safeguarding of funds 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 transactions and safeguarding funds from fraud and misappropriation.

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Internal controls should be designed to analyze and check accuracy, completeness, and authorization of purchasing transactions.

Furthermore, 19 O.S. § 1501-1505 prescribes the procedures established for the requisition, purchase, lease-purchase, rental, and receipt of supplies, material, and equipment for maintenance, operation, and capital expenditures of county government.

Finding 2011-14— County Bids (Repeat Finding)

Condition: While reviewing the bids, the following was noted:

- Rock materials were purchased from four vendors that were not awarded the bid.
- Grader blades were purchased from a vendor that was not awarded the bid.
- Tires were purchased from a vendor that was not awarded the bid.
- Road oil and asphalt was purchased from a vendor that was not awarded the bid.

Cause of Condition: Procedures have not been implemented regarding the purchasing procedures for items requiring a bid.

Effect of Condition: This condition could result in the County being in violation of laws or regulations, and misappropriation of assets.

Recommendation: OSAI recommends the county adhere to purchasing procedures as described in 19 O.S. § 1505.

Management Response:

County Clerk: The County Clerk's office shall adhere to purchasing procedures as described in 19 O.S. § 1505.

County Commissioner District 1: We plan to make every effort to purchase from the vendor awarded bid as required by state statutes.

County Commissioner District 2: We plan to adhere to purchasing procedures when purchasing bid items.

County Commissioner District 3: We plan to closely review and correct this problem.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Effective internal controls include purchasing from the vendor awarded bid as required by state statutes.

19 O.S § 1505 prescribes the procedures for requisition, purchase, lease-purchase, rental, and receipt of supplies, materials, and equipment for the County.

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Finding 2011-16— Delinquent Ad Valorem Tax Payments (Repeat Finding)

Condition: Payments accepted for delinquent ad valorem payments were not charged the correct amount of interest and fees.

Cause of Condition: Procedures have not been implemented to ensure the correct interest and fees are charged.

Effect of Condition: This condition could result in noncompliance with laws and possible loss of revenue.

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

Management Response:

County Treasurer: We are working on this. If the envelope is correctly dated, we accept the payment.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Effective internal controls include implementing procedures to ensure compliance with state statutes.

68 O.S. § 2913.D. states in part:

All delinquent taxes shall bear interest at the rate of one and one-half percent (1 1/2%) per month or major fraction thereof until paid.

68 O.S. § 3105.A. states in part:

The county treasurer shall in all cases, except those provided for in subsection B of this section, where taxes are a lien upon real property and have been unpaid for a period of three (3) years or more as of the date such taxes first became due and payable, advertise and sell such real estate for such taxes and all other delinquent taxes, special assessments and costs at the tax resale provided for in Section 3125 of this title, which shall be held on the second Monday of June each year in each county.

68 O.S. § 3106 states in part:

The county treasurer shall charge and collect in cash, cashier's check or money order, in addition to the taxes, interest and penalty, the publication fees as provided by the provisions of Section 121 of Title 28 of the Oklahoma Statutes, and Five Dollars (\$5.00) plus postage for mailing the notice, which shall be paid into the county treasury or whatever fund the publication and mailing fee expenses came from, and the county shall pay the cost of the publication of such notice. But in no case shall the county be liable for more than the amount charged to the delinquent lands for advertising and the cost of mailing.

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28 O.S. § 121 .B. states:

B. The county treasurer shall collect the cost of publication of lists of lands and town lots sold for delinquent taxes at original sale or resale from the individuals purchasing the lands and town lots at the sale or resale involved, and shall deposit all monies collected to the credit of the fund of the county which paid the cost of publication. The publisher of the notice shall be paid for the publication of the notice from the general fund of the county or, if monies are not available in the general fund of the county at the time of publication, from the "Resale-Property Fund" of the county.

Finding 2011-17— Acceptance of Partial Ad Valorem Tax Payments (Repeat Finding)

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

- The Treasurer is accepting partial ad valorem tax payments on delinquent taxes.
- Receipts are issued from a generic receipt book.
- Receipts do not list all pertinent information such as parcel or tax year.
- Receipts were deposited in an official depository account.
- No ledgers were maintained to reflect balances owed or payments received.

Cause of Condition: Management chose not to comply with statutory requirements regarding the collection of ad valorem.

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

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

Management Response:

County Treasurer: We no longer accept partial payments after due date.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Effective internal controls include implementing procedures to ensure compliance with state statutes.

Further, 68 O.S. § 2913 in part states:

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

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

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

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

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

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

Finding 2011-18— Segregation of Duties Payroll (Repeat Finding)

Condition: A lack of segregation of duties exists in the County Clerk's office because one deputy performs all key payroll processes including:

- enrolling new employees
- inputting payroll information into the system
- maintaining personnel files
- processing payroll claims
- reviewing payroll verification report
- printing payroll warrants
- distributing payroll warrants
- initiating direct deposits
- preparing payroll reports (OPERS, IRS, and OTC)

Cause of Condition: Procedures have not been designed to ensure adequate segregation of duties in the County Clerk's office with regards to the payroll process.

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

Recommendation: OSAI recommends that 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

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The following key accounting functions of the payroll process should be adequately segregated:

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

Management Response:

County Clerk: The County Clerk's office is implementing controls to assure the key processes or functions of payroll are adequately segregated.

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.

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

Finding 2011-22—County-Wide Controls Schools and Roads (Repeat Finding)

PASS-THROUGH GRANTOR: Oklahoma State Treasurer

FEDERAL AGENCY: United States Department of Agriculture

CFDA NO: 10.665

FEDERAL PROGRAM NAME: Schools and Roads-Grants to States

FEDERAL AWARD YEAR: 2011

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

QUESTIONED COSTS: \$-0-

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

Cause of Condition: Procedures have not been designed to ensure the County is in compliance with grant requirements.

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

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

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Examples of risks and procedures to address risk management for federal programs:

Risks	Procedures
Errors and misstatements in reporting	Independent review by another employee
Fraudulent activity	Segregation of duties
Information lost to computer crashes	Daily backups of information
Noncompliance with laws and grant requirements	Attend workshops, ensure employees receive current compliance supplements
New employee errors	Training, attending workshops, monitoring

Examples of activities and procedures to address monitoring of federal programs:

Monitoring	Procedures
Communication between officers	Discussion in BOCC meetings to monitor progress of grant and compliance with grant requirements.
Schedule of Expenditures of Federal Awards (SEFA)	Review the SEFA of the County for accuracy and to determine all federal awards are presented.
Audit findings	Determine audit findings are timely corrected.
Financial status	Periodically review budgeted amounts to actual amounts and resolve unexplained variances.
Compliance with grant requirements	Ensure employees understand grant requirements for federal program and are provided with the latest version of the compliance supplement.

Management Response:

County Commissioner District 1: We plan to work toward implementing a system of internal controls to ensure compliance with grant requirements.

County Commissioner District 2: We will work to comply with grant requirements.

County Commissioner District 3: We plan to design procedures to address proper handling of federal funds.

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

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

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

Finding 2011-23 – Internal Controls Activities Allowed and Allowable Cost for Schools and Roads (Repeat Finding)

PASS-THROUGH GRANTOR: Oklahoma State Treasurer

FEDERAL AGENCY: United States Department of Agriculture

CFDA NO: 10.665

FEDERAL PROGRAM NAME: Schools and Roads-Grants to States

FEDERAL AWARD YEAR: 2011

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

QUESTIONED COSTS: \$-0-

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

Cause of Condition: Procedures have not been designed to ensure the County is in compliance with grant requirements.

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

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

Management Response:

County Commissioner District 1: We will review this finding and take steps to correct it.

County Commissioner District 2: We plan to ensure compliance with grant requirements.

County Commissioner District 3: We plan to manage Federal Awards in compliance with laws and regulations and grant agreements.

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

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

Finding 2011-24 – Internal Controls Cash Management for Schools and Roads (Repeat Finding)

PASS-THROUGH GRANTOR: Oklahoma State Treasurer

FEDERAL AGENCY: United States Department of Agriculture

CFDA NO: 10.665

FEDERAL PROGRAM NAME: Schools and Roads-Grants to States

FEDERAL AWARD YEAR: 2011

CONTROL CATEGORY: Cash Management

QUESTIONED COSTS: \$-0-

Condition: During the process of documenting the County's internal controls regarding federal disbursements, we noted that McCurtain County has not established internal controls to ensure compliance with the following compliance requirement: Cash Management.

In addition, McCurtain County does not maintain a ledger for interest earned on the Schools and Roads-Grants to States program. The County earned approximately \$10,485.84 on this fund during the fiscal year. The interest earned on this fund was apportioned to other funds.

Cause of Condition: Procedures have not been designed to ensure the County is in compliance with grant requirements.

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

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

Management Response:

County Commissioner District 1: We plan to implement controls for the oversight of interest earned on School and Roads Grants to State funds.

County Commissioner District 2: We will work to correct this finding.

County Commissioner District 3: We are working to ensure compliance regarding federal disbursements and interest earned on grants.

**McCURTAIN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

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

In addition, 16 USC 500 § 402 outlines the treatment of funds and revenues for Federal Forestry Receipts. All revenues generated from projects pursuant to Title II, any funds remitted by counties pursuant to section 102 (d) (1) (B) (iii) or section 103 (c) (1) (B) (iii), and any interest accrued from such funds shall be deposited in the Treasury of the United States.

Finding 2011-25 – Internal Controls Procurement for Schools and Roads (Repeat Finding)

PASS-THROUGH GRANTOR: Oklahoma State Treasurer

FEDERAL AGENCY: United States Department of Agriculture

CFDA NO: 10.665

FEDERAL PROGRAM NAME: Schools and Roads-Grants to States

FEDERAL AWARD YEAR: 2011

CONTROL CATEGORY: Procurement and Suspension and Debarment

QUESTIONED COSTS: \$-0-

Condition: During the process of documenting the County’s internal controls regarding federal disbursements, we noted that McCurtain County has not established internal controls to ensure compliance with the following compliance requirement: Procurement and Suspension and Debarment.

We tested 12 expenditures of the Schools and Roads-Grants to States and determined 6 expenditures totaling \$65,140.59 did not meet attributes for Compliance Requirement I – Procurement due to not encumbering the cost of goods prior to purchasing. In addition, one expenditure totaling \$450.66 did not meet attributes for Compliance Requirement I – Procurement due to proper documentation not attached to claim.

Cause of Condition: Procedures have not been designed to ensure the County is in compliance with grant requirements.

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

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

Management Response:

County Commissioner District 1: We will work to understand the requirements of School and Roads grants and ensure compliance with the requirements.

**McCURTAIN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

County Commissioner District 2: We plan to ensure compliance with grants requirements.

County Commissioner District 3: We will take measures to understand and comply with federal grant requirements.

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

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

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

Finding 2011-19— Court Clerk Reconciliation (Repeat Finding)

Condition: The Court Clerk’s Official Depository Account District Court # 5 balance did not reconcile with the County Treasurer’s Official Depository Ledger at June 30, 2011. A variance of \$ 980.33 was noted.

Cause of Condition: Procedures have not been designed to ensure the Court Clerk account balances are reconciled to the County Treasurer’s Official Depository Ledger.

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

Recommendation: OSAI recommends that the District Court #5 Official Depository Account be reconciled to the County Treasurer’s Official Depository Ledger on a monthly basis.

Management Response:

Court Clerk: We are aware of this variance and will work to correct this issue.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, the Court Clerk’s Official Depository Account, District Court #5, should be reconciled monthly to the Treasurer’s Official Depository Ledger.

**McCURTAIN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Finding 2011-20— Segregation of Duties –Court Clerk (Repeat Finding)

Condition: A lack of segregation of duties exists in the Court Clerk’s office because the Court Clerk performs all key processes for the Court Fund and Court Clerk Revolving Fund, including:

- preparing claims;
- reviewing claims;
- approving claims using the District Judge’s signature stamp; and
- distributing vouchers.

Cause of Condition: Procedures have not been implemented to ensure adequate segregation of duties regarding the Court Fund and the Court Clerk Revolving Fund expenditures.

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

Recommendation: OSAI recommends that 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.

The following key accounting functions of the Court Clerk’s Office should be adequately segregated:

- preparing claims;
- reviewing and authorizing claims; and
- distributing vouchers.

Management Response:

Court Clerk: We will review and implement Auditor’s recommendations if possible.

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 Court Fund and Court Clerk Revolving Fund claims to allow for prevention and detection of errors and abuse.

**McCURTAIN COUNTY, OKLAHOMA
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Finding 2010-23—County-Wide Controls Schools and Roads

CFDA: 10.665

Federal Program Name: Schools and Roads-Grants to States

Federal Agency: United States Department of Agriculture

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

Status: Not corrected.

Finding 2010-24 – County-Wide Controls Disaster Grants

CFDA: 97.036

Federal Program Name: Disaster Grants - Public Assistance (Presidentially Declared Disasters)

Federal Agency: United States Department of Homeland Security

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

Status: Not corrected.

Finding 2010-25 – Internal Controls Activities Allowed and Allowable Cost for Schools and Roads

CFDA: 10.665

Federal Program Name: Schools and Roads-Grants to States

Federal Agency: United States Department of Agriculture

Finding Summary: During the process of documenting the County's internal controls regarding federal disbursements, we noted that McCurtain County has not established internal controls to ensure compliance with the following compliance requirements: Activities Allowed; Allowable Costs.

Status: Not corrected.

Finding 2010-26 – Internal Controls Cash Management for Schools and Roads

CFDA: 10.665

Federal Program Name: Schools and Roads-Grants to States

Federal Agency: United States Department of Agriculture

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

In addition, McCurtain County does not maintain a ledger for interest earned on the Schools and Roads-Grants to States program. The County earned approximately \$12,157.82 on this fund during the fiscal year. The interest earned on this fund was apportioned to other funds.

Status: Not corrected.

**McCURTAIN COUNTY, OKLAHOMA
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Finding 2010-27 – Internal Controls Procurement for Schools and Roads

CFDA: 10.665

Federal Program Name: Schools and Roads-Grants to States

Federal Agency: United States Department of Agriculture

Finding Summary: During the process of documenting the County's internal controls regarding federal disbursements, we noted that McCurtain County has not established internal controls to ensure compliance with the following compliance requirement: Procurement and Suspension and Debarment

We tested 13 expenditures of the Schools and Roads-Grants to States and determined 10 expenditures totaling \$168,743.99 did not meet attributes for Compliance Requirement I – Procurement due to not encumbering the cost of goods prior to purchasing.

Status: No corrective action has been taken.

Finding 2010-28 – Internal Controls over Compliance Requirements - FEMA

CFDA: 97.036

Federal Program Name: Disaster Grants - Public Assistance (Presidentially Declared Disasters)

Federal Agency: United States Department of Homeland Security

Finding Summary: During the process of documenting the County's internal controls regarding federal disbursements, we noted that McCurtain County has not established internal controls to ensure compliance with the following compliance requirements: Activities Allowed/Unallowed; Cash Management; Matching Level of Effort/Earmarking; Period of Availability; and Special Tests and Provisions.

Status: Not corrected.

Finding 2010-29—Internal Controls Allowable Cost for Disaster Grants

CFDA: 97.036

Federal Program Name: Disaster Grants - Public Assistance (Presidentially Declared Disasters)

Federal Agency: United States Department of Homeland Security

Finding Summary: During the process of documenting the County's internal controls regarding federal disbursements, we noted that McCurtain County has not established internal controls to ensure compliance with the following compliance requirement: Allowable Costs/Cost Principles.

In addition, we tested four projects and determined that a total of \$15,345.53 was charged for ineligible labor and equipment due to lack of adequate documentation.

Status: Not corrected.

**McCURTAIN COUNTY, OKLAHOMA
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Finding 2010-30—Internal Controls Procurement for Disaster Grants

CFDA: 97.036

Federal Program Name: Disaster Grants - Public Assistance (Presidentially Declared Disasters)

Federal Agency: United States Department of Homeland Security

Finding Summary: During the process of documenting the County's internal controls regarding federal disbursements, we noted that McCurtain County has not established internal controls to ensure compliance with the following compliance requirement: Procurement and Suspension and Debarment.

In addition, we tested four projects and determined that expenditures totaling \$ 46,154.95 did not meet attributes for Compliance Requirement I – Procurement due to not encumbering the cost of goods prior to purchasing.

Status: Not corrected.

Finding 2009-12—Internal Controls over Major Programs

CFDA: 10.665

Federal Program Name: Schools and Roads-Grants to States

Federal Agency: United States Department of Agriculture

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

Status: Not corrected.

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

CFDA: 10.665

Federal Program Name: Schools and Roads-Grants to States

Federal Agency: United States Department of Agriculture

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

Status: Not corrected.

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

CFDA: 10.665

Federal Program Name: Schools and Roads-Grants to States

Federal Agency: United States Department of Agriculture

**McCURTAIN COUNTY, OKLAHOMA
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

Status: Not corrected.

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

CFDA: 10.665

Federal Program Name: Schools and Roads-Grants to States

Federal Agency: United States Department of Agriculture

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

Status: Not corrected.

Finding 2008-13—Internal Controls over Major Programs

CFDA: 10.665, 97.036

Federal Program Name: Schools and Roads-Grants to States, Disaster Grants - Public Assistance (Presidentially Declared Disasters)

Federal Agency: United States Department of Agriculture, Department of Homeland Security

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

Status: Not corrected.

Finding 2008-14—Interest Earned on Federal Funds

CFDA: 10.665

Federal Program Name: Schools and Roads-Grants to States

Federal Agency: United States Department of Agriculture

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

Status: Not corrected.

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

CFDA: 10.665

Federal Program Name: Schools and Roads-Grants to States

**McCURTAIN COUNTY, OKLAHOMA
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Federal Agency: United States Department of Agriculture

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

Status: Not corrected.



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