

FINANCIAL AUDIT

# MCINTOSH COUNTY

For the fiscal year ended June 30, 2013



*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

**McINTOSH COUNTY, OKLAHOMA  
FINANCIAL STATEMENT  
AND INDEPENDENT AUDITOR'S REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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This publication, issued by the Oklahoma State Auditor and Inspector's Office as authorized by 19 O.S. § 171, has not been printed, but is available on the agency's website ([www.sai.ok.gov](http://www.sai.ok.gov)) and in the Oklahoma Department of Libraries Publications Clearinghouse Digital Collection, pursuant to 74 O.S. § 3105.B.



# Oklahoma State Auditor & Inspector

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

November 19, 2015

TO THE CITIZENS OF  
McINTOSH COUNTY, OKLAHOMA

Transmitted herewith is the audit of McIntosh County, Oklahoma for the fiscal year ended June 30, 2013. 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

**McINTOSH COUNTY, OKLAHOMA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**McINTOSH COUNTY, OKLAHOMA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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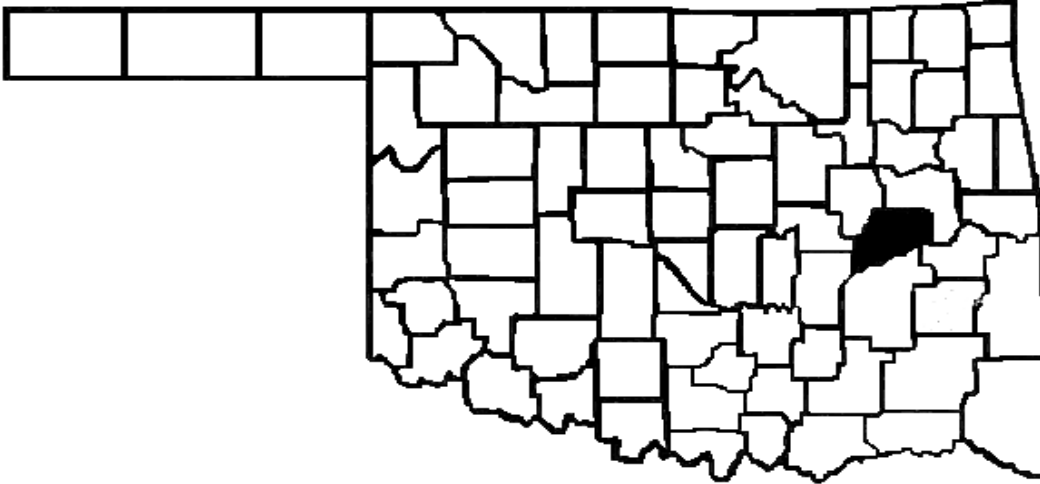
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PRESENTED FOR INFORMATIONAL PURPOSES ONLY**

**McINTOSH COUNTY, OKLAHOMA  
STATISTICAL INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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Created at statehood from lands in the southern part of the Cherokee Nation, Indian Territory, McIntosh County was named for a well-known Creek family. The chief physical feature of the county is Lake Eufaula, which is comprised of 105,000 acres and is the largest body of water in Oklahoma.

The county seat, Eufaula, is located thirteen miles south of I-40 on U.S. 69. The Creeks immigrated into the area in 1836 and their influence is seen in names such as Eufaula, which comes from an old Creek town in Alabama called Yufala, “they split up here and went to other places.” The Asbury Mission Boarding School was established in 1849 by the Episcopal Church under a contract with the Creek Indian Council. Today it is the Eufaula Boarding School. The *Indian Journal*, founded in 1876 and published in Eufaula, is the oldest surviving newspaper in the state. Tourism is the main industry in this area.

Checotah, established by the KATY railroad station, was named for a principal chief of the Creek Indians, Samuel Checote. The town, once a battleground where the Creek and Little Osage fought, is now a trade center for northern McIntosh and southwest Muskogee counties.

For more county information, call the county clerk’s office at 918/689-3375.

County Seat – Eufaula

Area – 712.48 Square Miles

County Population – 20,584  
(2012 est.)

Farms – 1,042

Land in Farms – 246,730 Acres

Primary Source: Oklahoma Almanac 2013-2014

**McINTOSH COUNTY OFFICIALS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**Board of County Commissioners**

District 1 – Bobby James  
District 2 – Tim Pendley  
District 3 – Michael Burns

**County Assessor**

Trina Williams-Smith

**County Clerk**

Ronda Prince

**County Sheriff**

Kevin Ledbetter

**County Treasurer**

Carol Lindley

**Court Clerk**

Carrie Pittman

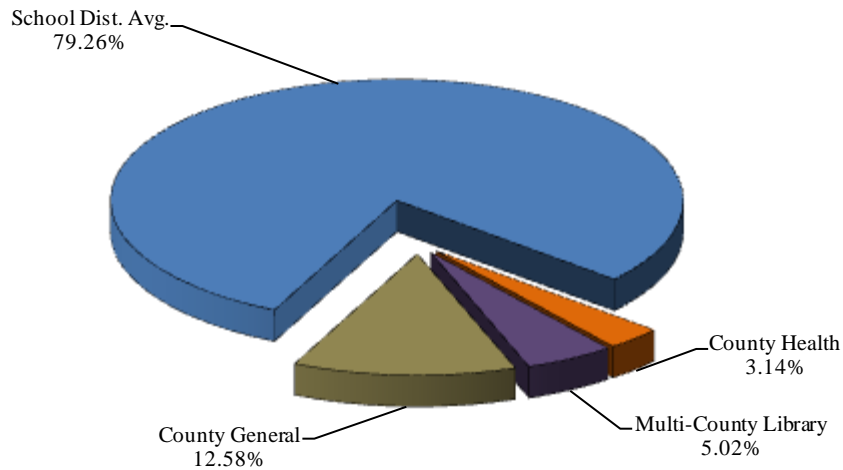
**District Attorney**

Rob Barris



**McINTOSH COUNTY, OKLAHOMA  
AD VALOREM TAX DISTRIBUTION  
SHARE OF THE AVERAGE MILLAGE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

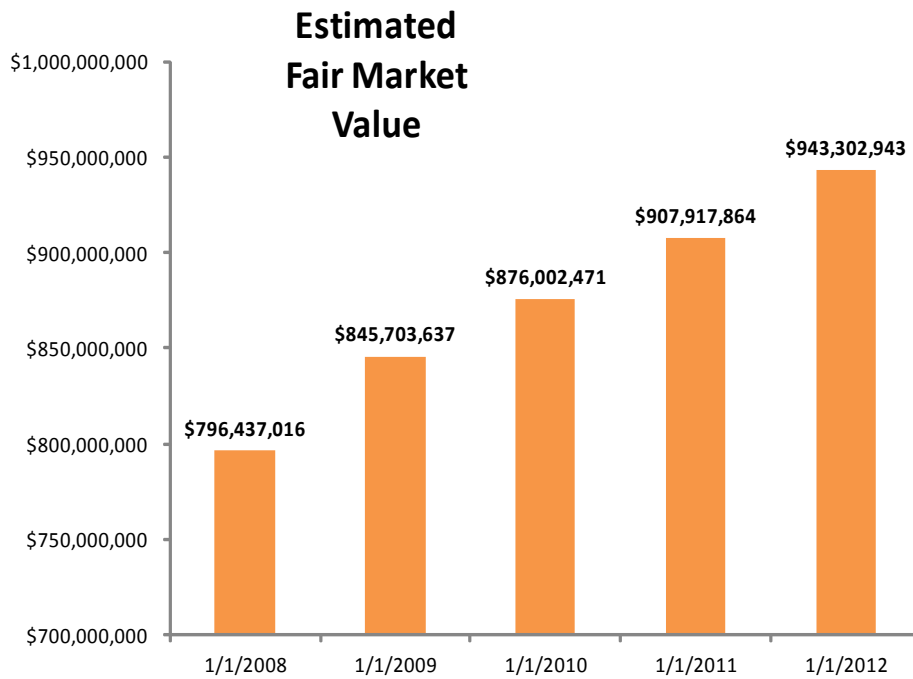
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the 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	Common	Total
County General	10.26								
County Health	2.56	Eufaula	I-1	35.39	5.06	8.85	12.37	4.10	65.77
Multi-County Library	4.10	Checotah	I-19	35.70	5.10	23.93	10.37	4.10	79.20
		Hanna	HA-64	36.85	5.26	-	5.04	4.10	51.25
		Midway	I-27	36.77	5.25	13.36	10.37	4.10	69.85
		Stidham	D-16	37.44	5.35	-	12.37	4.10	59.26
		Ryal	D-3	37.05	5.29	-	-	4.10	46.44
		Henryetta	J-2	36.23	5.18	15.07	12.49	4.10	73.07
		Dewar	J-8	36.23	5.18	16.47	12.49	4.10	74.47
		Dustin	J-9	35.92	5.13	-	5.04	4.10	50.19
		Warner	J-74	35.09	5.01	8.70	10.37	4.10	63.27
		Weleetka	J-31	35.00	5.00	31.78	5.04	4.10	80.92
Graham	J-32	36.44	5.21	11.55	5.04	4.10	62.34		

**McINTOSH COUNTY, OKLAHOMA  
 ASSESSED VALUE OF PROPERTY  
 TREND ANALYSIS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

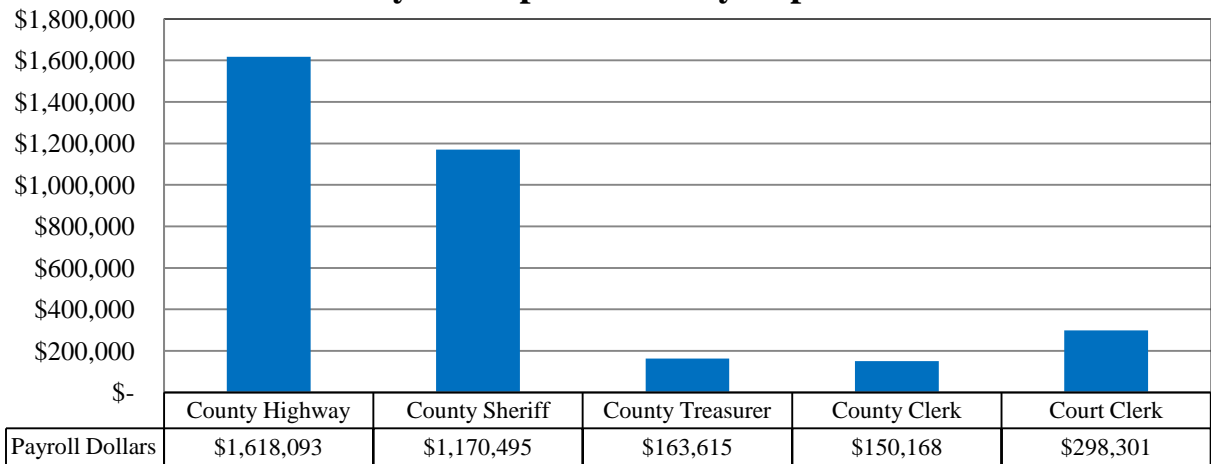
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2012	\$15,018,474	\$9,422,282	\$84,208,959	\$6,515,508	\$102,134,207	\$943,302,943
1/1/2011	\$13,774,141	\$9,161,986	\$81,686,240	\$6,419,147	\$98,203,220	\$907,917,864
1/1/2010	\$13,454,472	\$8,701,184	\$78,717,046	\$6,354,316	\$94,518,386	\$876,002,471
1/1/2009	\$13,245,727	\$8,471,592	\$75,703,445	\$6,089,423	\$91,331,341	\$845,703,637
1/1/2008	\$11,658,937	\$8,185,580	\$72,008,593	\$5,811,781	\$86,041,329	\$796,437,016



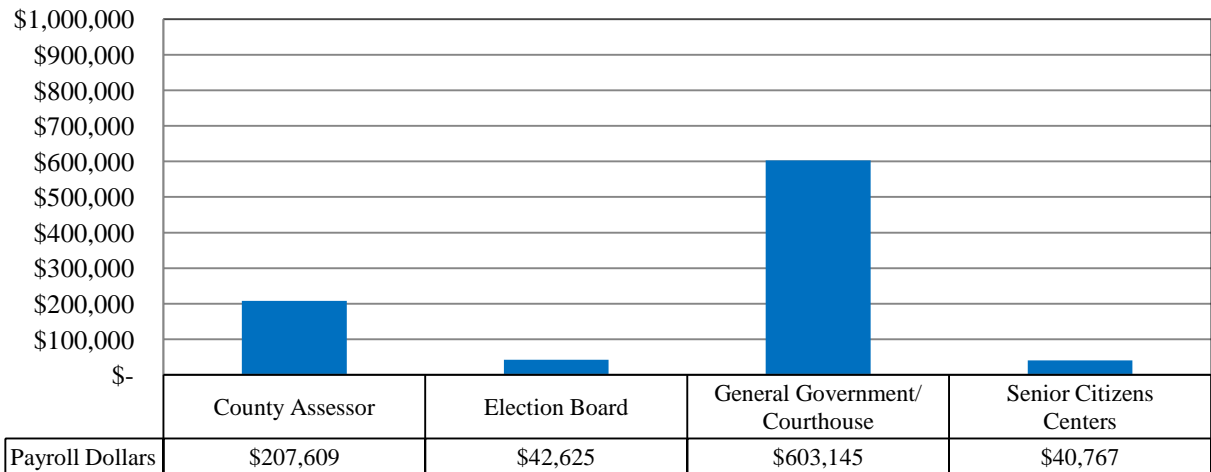
**McINTOSH COUNTY, OKLAHOMA  
COUNTY PAYROLL EXPENDITURES ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

County officers' salaries are based upon the assessed valuation and population of the counties. State statutes provide guidelines for establishing elected officers' salaries. The Board of County Commissioners sets the salaries for all elected county officials within the limits set by the statutes. The designated deputy or assistant's salary cannot exceed the principal officer's salary. Salaries for other deputies or assistants cannot exceed the principal officer's salary. The information presented below is for the fiscal year ended June 30, 2013.

**Payroll Expenditures by Department**



**Payroll Expenditures by Department**

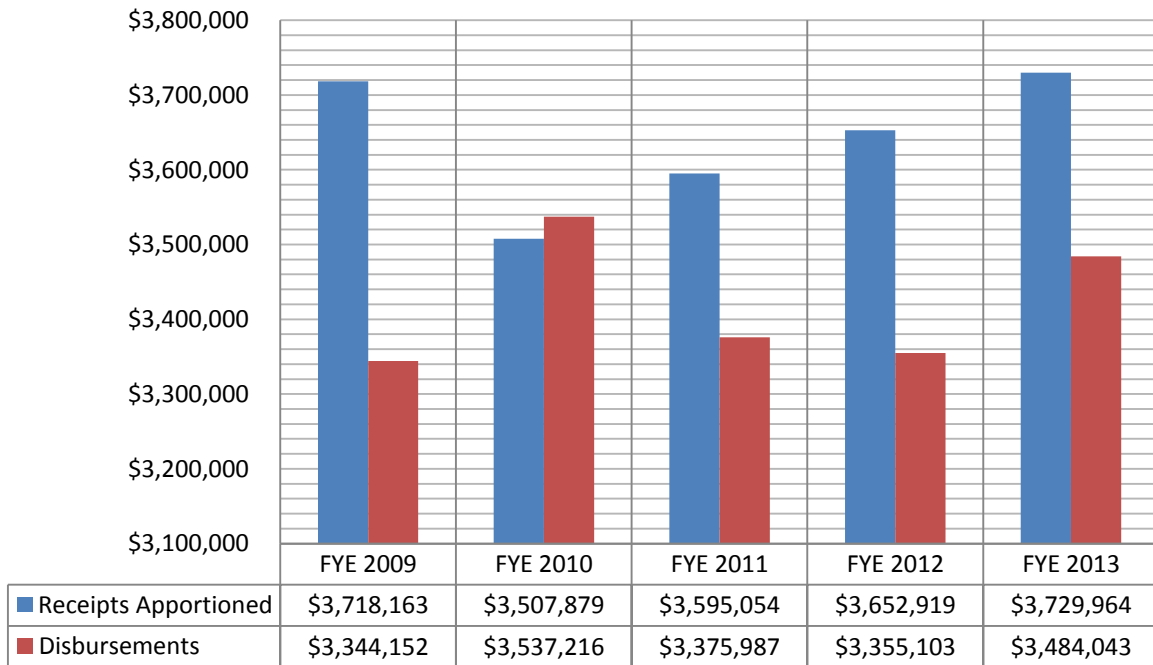


**McINTOSH COUNTY, OKLAHOMA  
COUNTY GENERAL FUND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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## County General Fund

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

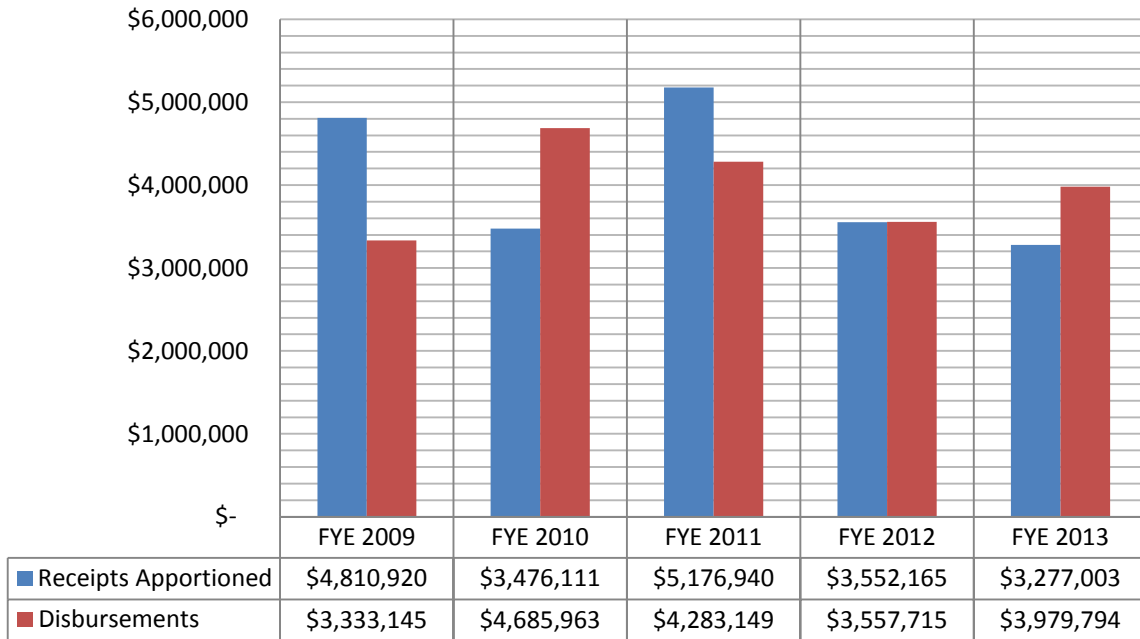


**McINTOSH COUNTY, OKLAHOMA  
COUNTY HIGHWAY FUND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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## County Highway Fund

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



## **FINANCIAL SECTION**



# Oklahoma State Auditor & Inspector

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

## Independent Auditor's Report

TO THE OFFICERS OF  
McINTOSH COUNTY, OKLAHOMA

### *Report on the Financial Statement*

We have audited the combined total—all county funds on the accompanying regulatory basis Statement of Receipts, Disbursements, and Changes in Cash Balances of McIntosh County, Oklahoma, as of and for the year ended June 30, 2013, listed in the table of contents as the financial statement.

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

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

### *Auditor's Responsibility*

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

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

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

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

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

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

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of McIntosh County as of June 30, 2013, or changes in its financial position for the year then ended.

### ***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash balances for all county funds of McIntosh County, for the year ended June 30, 2013, on the basis of accounting described in Note 1.

### ***Other Matters***

#### ***Other Information***

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

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



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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2015, on our consideration of McIntosh County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and in considering McIntosh County's internal control over financial reporting and compliance.

A handwritten signature in blue ink, appearing to read "Gary A. Jones".

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

November 19, 2015

**REGULATORY BASIS FINANCIAL STATEMENT**

**McINTOSH COUNTY, OKLAHOMA**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND**  
**CHANGES IN CASH BALANCES—REGULATORY BASIS**  
**(WITH COMBINING INFORMATION)—MAJOR FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	Beginning Cash Balances July 1, 2012	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2013
Combining Information:						
Major Funds:						
General Fund	\$ 2,270,905	\$ 3,729,964	\$ -	\$ -	\$ 3,484,043	\$ 2,516,826
Sinking Fund	30	-	-	-	-	30
County Health Department	330,466	330,766	-	-	388,823	272,409
Highway Cash Fund	2,647,705	3,277,003	328,050	428,050	3,979,794	1,844,914
Sheriff Board of Prisoners Cash Fund	322,886	346,950	-	-	249,033	420,803
Sheriff Fees Cash Fund	94,907	149,915	-	-	185,156	59,666
Sheriff Commissary	42,842	113,227	-	-	76,462	79,607
Jail Use Tax Cash Fund	25,967	76,353	-	-	48,250	54,070
Jail Sales Tax Operations Cash Fund	230,170	852,040	-	-	708,737	373,473
Resale Cash Voucher Fund	240,296	128,663	17,458	-	66,160	320,257
MCPFA Sales Tax Fund	70,070	851,513	-	-	852,161	69,422
Remaining Aggregate Funds	713,291	414,904	-	-	295,463	832,732
<b>Combined Total - All County Funds</b>	<b>\$ 6,989,535</b>	<b>\$ 10,271,298</b>	<b>\$ 345,508</b>	<b>\$ 428,050</b>	<b>\$ 10,334,082</b>	<b>\$ 6,844,209</b>

The notes to the financial statement are an integral part of this statement.

**McINTOSH COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

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

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

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

**B. Fund Accounting**

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

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

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

Sinking Fund – accounts for monies collected from ad valorem taxes for payment of bonds or judgments against the County. The County has no long-term debt and this balance will eventually be transferred to the General Fund.

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

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

Sheriff Board of Prisoners Cash Fund – accounts for monies received by the Sheriff's office for the housing of prisoners for towns, tribes, and other counties. Disbursements are for jail operating expenses.

**McINTOSH COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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Sheriff Fees Cash Fund – accounts for the collection and disbursement of Sheriff process service fees as restricted by statute.

Sheriff Commissary – accounts for the collection of fees transferred from the inmate trust account for commissary items and disbursement of funds as restricted by state statute.

Jail Use Tax Cash Fund – accounts for the use tax collected by the State of Oklahoma and disbursed to the County with funds to be used toward costs related to the new jail.

Jail Sales Tax Operations Cash Fund – accounts for the collection of county sales tax money and is disbursed for the purpose of maintenance and operation of the McIntosh County Jail.

Resale Cash Voucher Fund – accounts for revenues from interest and penalties on delinquent ad valorem taxes. Disbursements are to offset the expense of collecting delinquent ad valorem taxes.

MCPFA Sales Tax Fund – accounts for the collection of county sales tax money used for the retirement of indebtedness incurred on behalf of McIntosh County by the McIntosh County Public Facilities Authority (MCPFA) for the construction of a new detention facility.

**C. Basis of Accounting**

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

Title 19 O.S. § 171 specifies the format and presentation for Oklahoma counties to present their financial statement in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) or on a regulatory basis. The County has elected to present their financial statement on a regulatory basis in conformity with Title 19 O.S. § 171. County governments (primary only) are required to present their financial statements on a fund basis format with, at a minimum, the general fund and all other county funds, which represent ten percent or greater of total county revenue. All other funds included in the audit shall be presented in the aggregate in a combining statement.

**D. Budget**

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

**McINTOSH COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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Commissioners may approve changes of appropriations within the fund by office or department and object. To increase or decrease the budget by fund requires approval by the County Excise Board.

**E. Cash and Investments**

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

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

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

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

**2. Ad Valorem Tax**

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

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

**McINTOSH COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**3. Other Information**

**A. Pension Plan**

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

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

**B. Other Post Employment Benefits (OPEB)**

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

**C. Contingent Liabilities**

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

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

**D. Sales Tax**

The voters of McIntosh County approved a one percent (1%) sales tax through a special election on June 11, 2002, that went into effect on August 14, 2002. This sales tax has an unlimited duration. The sales tax was established to provide revenue for the following: Senior Citizens Organizations-5%; Rural Fire Departments-10%; Office of Emergency Management-0.5%; OSU

**McINTOSH COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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Extension Office-3.5%; McIntosh County Fair Board-2%; County Commissioners-M&O of Roads & Bridges-23%; County Clerk-5%; County Assessor-2.5%; County Treasurer-2.5%; Court Clerk-2%; County Sheriff-12% County Government-19%; Maintenance & Repairs to McIntosh County Courthouse-7%; Library-5%; Collection Fee to Oklahoma Tax Commission-1%. These funds are accounted for in the General Fund.

The voters of McIntosh County approved a one-half of one cent (1/2%) sales tax through a special election on May 9, 2006, with proceeds to be designated and used specifically for the acquisition of real property, construction, equipping, operating and maintaining the new McIntosh County Detention Facility and courthouse improvements. A portion of such sales tax, three-eighths of one cent shall have a limited duration of twenty years from the date of commencement, or until principal and interest upon indebtedness incurred on behalf of McIntosh County by the McIntosh County Public Facility Authority in furtherance of the county detention facility and courthouse improvements are paid in full, whichever occurs earlier; while the remaining portion of such sales tax, one-eighth of one cent, to continue for operation and maintenance expenses of the county detention facility until repealed by a majority of the electors of McIntosh County in an election called for the purpose of posing said proposition; making provisions separable; and declaring an emergency be approved. These funds are accounted for in the Jail Sales Tax Operations Cash Fund and the MCPFA Sales Tax Fund.

The voters of McIntosh County approved a one-half of one cent (1/2%) sales tax through a special election on August 9, 2011, with proceeds to be used to pay the cost of operating and maintaining the McIntosh County Detention Facilities, provided that a one eighth cent portion be limited to a duration of fifteen years commencing January 1, 2012 and ending on December 31, 2026, and the remaining three eighths cent portion to have an unlimited duration. These funds are accounted for in the Jail Sales Tax Operations Cash Fund and the MCPFA Sales Tax Fund.

**E. Interfund Transfers**

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

- \$328,050 was transferred from the Emergency and Transportation Revolving Fund, a trust and agency fund, to the Highway Cash Fund to reimburse for expenditures on bridge and road projects in the County.
- \$428,050 was transferred from the Highway Cash Fund to the Emergency and Transportation Revolving Fund, a trust and agency Fund, for the repayment of a loan.
- \$17,458 was transferred from the Excess Resale fund, a trust and agency fund, to the Resale Cash Voucher Fund in accordance with 68 O.S. § 3131C.



**OTHER SUPPLEMENTARY INFORMATION**

**McINTOSH 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, 2013**

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 2,270,905	\$ 2,270,905	\$ -
Less: Prior Year Outstanding Warrants	(248,782)	(248,782)	-
Less: Prior Year Encumbrances	(31,067)	(26,020)	5,047
Beginning Cash Balances, Budgetary Basis	<u>1,991,056</u>	<u>1,996,103</u>	<u>5,047</u>
Receipts:			
Ad Valorem Taxes	952,633	1,039,201	86,568
Charges for Services	80,000	358,458	278,458
Intergovernmental Revenues	2,142,992	2,251,829	108,837
Miscellaneous Revenues	8,500	80,476	71,976
Total Receipts, Budgetary Basis	<u>3,184,125</u>	<u>3,729,964</u>	<u>545,839</u>
Expenditures:			
District Attorney	6,000	5,711	289
County Sheriff	317,400	316,786	614
County Treasurer	110,500	110,211	289
County Commissioners	44,000	41,896	2,104
OSU Extension	20,000	13,000	7,000
County Clerk	112,942	112,836	106
Court Clerk	285,772	285,706	66
County Assessor	103,479	103,212	267
Revaluation of Real Property	228,096	227,679	417
General Government	978,361	718,581	259,780
Excise-Equalization Board	7,300	5,859	1,441
County Election Board	51,489	49,875	1,614
Sales Tax Sheriff	253,807	235,459	18,348
Sales Tax Treasurer	107,694	14,026	93,668
Sales Tax County Clerk	99,468	48,382	51,086
Sales Tax County Assessor	50,591	42,907	7,684
Sales Tax Court Clerk	37,565	17,395	20,170
Sales Tax OSU Extension	73,378	59,288	14,090
Sales Tax General Government	729,372	224,452	504,920
Sales Tax Courthouse	220,182	81,235	138,947
Sales Tax Highway	570,818	372,822	197,996
Sales Tax Library	88,772	88,772	-
Sales Tax Fair Board	70,343	42,759	27,584

Continued on next page

**McINTOSH COUNTY, OKLAHOMA  
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND  
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—  
GENERAL FUND - CONTINUED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	General Fund		
	Budget	Actual	Variance
Continued from previous page			
Sales Tax EMS	15,354	5,084	10,270
Sales Tax Senior Citizens - Checotah	63,411	12,756	50,655
Sales Tax Senior Citizens - Eufaula	31,640	16,086	15,554
Sales Tax Senior Citizens - Hanna	26,112	18,484	7,628
Sales Tax Senior Citizens - Salem Ryal	19,282	14,147	5,135
Sales Tax Senior Citizens - Oak Grove	23,611	19,252	4,359
Sales Tax Rural Fire - FAIC, Hanna, Hitchita, Lotta Watta, Onapa, Porum Landing, Rentiesville, & Shady Grove	240,690	70,312	170,378
Sales Tax Rural Fire - Texanna, Tiger Mountain, Vivian, Salem Ryal, & Paradise Point	177,539	40,528	137,011
County Audit Budget Account	10,213	-	10,213
Total Expenditures, Budgetary Basis	<u>5,175,181</u>	<u>3,415,498</u>	<u>1,759,683</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	2,310,569	<u>\$ 2,310,569</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Reserves		70,898	
Add: Current Year Outstanding Warrants		135,359	
Ending Cash Balance		<u>\$ 2,516,826</u>	

**McINTOSH 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, 2013**

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	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 330,466	\$ 330,466	\$ -
Less: Prior Year Outstanding Warrants	(99,554)	(99,554)	-
Less: Prior Year Encumbrances	(2,925)	(1,751)	1,174
Beginning Cash Balances, Budgetary Basis	227,987	229,161	1,174
Receipts:			
Ad Valorem Taxes	237,694	259,304	21,610
Charges for Services	68,727	69,677	950
Miscellaneous Revenues	-	1,785	1,785
Total Receipts, Budgetary Basis	306,421	330,766	24,345
Expenditures:			
Health and Welfare	534,408	373,815	160,593
Total Expenditures, Budgetary Basis	534,408	373,815	160,593
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	186,112	\$ 186,112
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		84,053	
Add: Current Year Outstanding Warrants		2,244	
Ending Cash Balance		\$ 272,409	

**McINTOSH COUNTY, OKLAHOMA**  
**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND**  
**CHANGES IN CASH BALANCES—REGULATORY BASIS—**  
**REMAINING AGGREGATE FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	Beginning Cash Balances July 1, 2012	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2013
Remaining Aggregate Funds:				
County Assessor Fees Cash Fund	\$ 30,980	\$ 6,291	\$ 12,363	\$ 24,908
Mortgage Tax Cash Fund	2,667	3,895	5,356	1,206
County Clerk M&M Cash Fund	9,497	11,782	14,051	7,228
McIntosh County Development Authority	15,445	49,987	49,987	15,445
RM&P Cash Fund	102,233	25,760	29,999	97,994
Community Service Cash Fund	5,276	-	235	5,041
COPS Cash Fund	183	-	183	-
Lake Patrol Cash Fund	36,007	10,798	13,500	33,305
Sheriff Revolving Narcotics Cash Fund	86	-	86	-
Sheriff Training Cash Voucher Fund	57	-	57	-
Sheriff Federal Drug Sharing Cash Fund	132	-	132	-
Adult Drug Court Revolving Cash Fund	45,646	-	11,600	34,046
LEPC Cash Fund	734	-	-	734
EODD REAP 911 Cash Fund	-	17,000	17,000	-
Emergency Management Cash Fund	3,646	2,433	2,377	3,702
McIntosh County 911	458,880	286,958	138,537	607,301
Hazard Mitigation Plan Cash Fund	1,822	-	-	1,822
<b>Combined Total - Remaining Aggregate Funds</b>	<b>\$ 713,291</b>	<b>\$ 414,904</b>	<b>\$ 295,463</b>	<b>\$ 832,732</b>

**McINTOSH COUNTY, OKLAHOMA  
NOTES TO OTHER SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**1. Budgetary Schedules**

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

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

**2. Remaining County Funds**

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

County Assessor Fees Cash Fund – accounts for revenues from fees charged by the Assessor. Disbursements are for any lawful expense of the Assessor’s office.

Mortgage Tax Cash Fund – accounts for revenues from fees for certifying mortgages. Disbursements are for any lawful expense of the Treasurer’s office.

County Clerk M&M Cash Fund – accounts for revenues from fees charged by the County Clerk for filing liens. Disbursements are for any lawful expense of the County Clerk’s office.

McIntosh County Development Authority – accounts for the collection and disbursement of funds used to construct the county health department building.

RM&P Cash Fund – accounts for revenues from fees charged by the County Clerk for recording instruments. Disbursements are for the maintenance and preservation of public records.

Community Service Cash Fund – accounts for the collection and disbursement of monies provided to the Sheriff’s office for individuals providing community service. The expenditures consist of items used for community service activities.

COPS Cash Fund – accounts for the balance of a federal grant received for the payroll of Sheriff’s officers.

**McINTOSH COUNTY, OKLAHOMA  
NOTES TO OTHER SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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Lake Patrol Cash Fund – accounts for the collection of monies from the Corp of Engineers for the payroll of a part-time patrol officer.

Sheriff Revolving Narcotics Cash Fund – accounts for the collection of drug money seized in crimes and forfeited to the Sheriff’s office via court order. Disbursements are made for any lawful expenditure of the Sheriff’s office.

Sheriff Training Cash Voucher Fund – accounts for the collection and disbursement of money supplied to the Sheriff’s office for the training of officers.

Sheriff Federal Drug Sharing Cash Fund – accounts for the County’s share of federal drug case monies from the U.S. Department of Justice.

Adult Drug Court Revolving Cash Fund – accounts for funds collected and disbursed for the adult drug court.

LEPC Cash Fund – accounts for revenues from the State of Oklahoma and are provided for the purchase of equipment for Emergency Management.

EODD REAP 911 Cash Fund – accounts for revenues from the Eastern Oklahoma Development District and disbursements are provided for the implementation of the Emergency 911 system.

Emergency Management Cash Fund – accounts for revenues from state, federal, and miscellaneous donations and disbursements are for any lawful expense of emergency management.

McIntosh County 911 – accounts for revenues from various telecommunication companies and are provided for the operation of the Emergency 911 system.

Hazard Mitigation Plan Cash Fund – accounts for revenues from the State of Oklahoma provided for the completion of a hazard mitigation plan.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**



**McINTOSH COUNTY, OKLAHOMA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
<b>U.S. DEPARTMENT OF DEFENSE</b>			
Direct Grant:			
Payments to States in Lieu of Real Estate Taxes	12.112		\$ 9,951
Total U.S. Department of Defense			<u>9,951</u>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
Passed Through Oklahoma Department of Commerce:			
Community Development Block Grants/States program and Non-Entitlement Grants in Hawaii	14.228	14169 CDBG 10	150,000
Community Development Block Grants/States program and Non-Entitlement Grants in Hawaii	14.228	15093 CDBG 11	49,000
Total U.S. Department of Housing and Urban Development			<u>199,000</u>
<b>U.S. DEPARTMENT OF THE INTERIOR</b>			
Direct Grant:			
Payments in Lieu of Taxes	15.226		196,755
Total U.S. Department of the Interior			<u>196,755</u>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>			
Passed Through Oklahoma Department of Transportation:			
Highway Planning and Construction	20.205		6,782
Total U.S. Department of Transportation			<u>6,782</u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>			
Passed Through Oklahoma Department of Emergency Management:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR-1988	9,869
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR-4117	136,937
Total U.S. Department of Homeland Security			<u>146,806</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 559,294</u>

**McINTOSH COUNTY, OKLAHOMA  
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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Basis of Presentation

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

**INTERNAL CONTROL AND COMPLIANCE SECTION**



# Oklahoma State Auditor & Inspector

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

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

TO THE OFFICERS OF  
MCINTOSH COUNTY, OKLAHOMA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined total—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of McIntosh County, Oklahoma, as of and for the year ended June 30, 2013, which comprises McIntosh County's financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated November 19, 2015.

Our report included an adverse opinion on the financial statement because the statement is prepared using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County for the year ended June 30, 2013, on the basis of accounting prescribed by Oklahoma state law, described in Note 1.

### **Internal Control Over Financial Reporting**

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses: 2013-3 and 2013-4.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies: 2013-1 and 2013-5.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether McIntosh County's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2013-5.

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

### **McIntosh County's Responses to Findings**

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

### **Purpose of this Report**

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

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



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

November 19, 2015



# Oklahoma State Auditor & Inspector

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

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

TO THE OFFICERS OF  
McINTOSH COUNTY, OKLAHOMA

### **Report on Compliance for Each Major Program**

We have audited the compliance of McIntosh 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 McIntosh County's major federal programs for the year ended June 30, 2013. McIntosh County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs are the responsibility of McIntosh County's management.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on McIntosh 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 McIntosh 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 McIntosh County's compliance with those requirements.

### **Opinion on Each Major Federal Program**

In our opinion, McIntosh County, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2013.

## **Internal Control Over Compliance**

Management of McIntosh 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 McIntosh 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 McIntosh 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 2013-11, 2013-12, and 2013-13 to be material weaknesses.

## **Other Matters**

McIntosh 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 McIntosh County's responses and, accordingly, we express no opinion on the responses.

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



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

November 19, 2015

**McINTOSH COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**SECTION 1—Summary of Auditor’s Results**

Financial Statements

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

Internal control over financial reporting:

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

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

Federal Awards

Internal control over major programs:

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

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

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

CFDA Number(s)

Name of Federal Program or Cluster

14.228

Community Development Block Grants/State’s program and Non-Entitlement Grants in Hawaii

97.036

Disaster Grants - Public Assistance (Presidentially Declared Disasters)

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

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



**McINTOSH COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**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 2013-1 – Inadequate Internal Controls Over Information Systems Security – County Treasurer and County Clerk (Repeat Finding)**

**Condition:** Upon review of the computer systems within the County Clerk’s and the County Treasurer’s offices, it was noted that there does not appear to be adequate internal controls in place to safeguard data from unauthorized modification, loss, or disclosure. The following was noted:

- The County Clerk’s computers and software systems do not require the employee to use a password of at least eight characters in length and passwords are not required to be changed periodically.
- The County Clerk’s software server is not in a controlled environment, with limited access. This increases the risk of damage, loss of data, interruption of the office’s operations, and non-approved access attempts.
- The Security officer over the County Treasurer’s software system also performs cashier duties, resulting in a concentration of duties within one individual.
- Employees of the County Treasurer’s office do not utilize the function in the software system that allows notes to be attached to changes made to the tax rolls. Failure to make notes increases the risk of unauthorized changes.
- The Security officer over the County Treasurer’s software system does not review the security log on a regular basis.

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

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

**Recommendation:** OSAI recommends the County implement internal control policies and procedures over information technology to include the following:

- Set up password requirements for length, character, and expiration of, at a minimum, every 90 days.
- Maintain servers in a secure location, with limited access to employees and the public.
- Ensure that the assigned security officer does not also perform reconciliation and cashier duties.
- Ensure notes are made to the system for any changes made to the tax rolls.
- Review the security log periodically for unusual entries.

**McINTOSH COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**Management Response:**

**County Clerk:** We do use passwords at this time, but they are not 8 characters. We will change to 8 or more characters and change passwords the first of every quarter beginning January 1, 2015. A locking rack enclosure has been ordered and will be installed to hold our server by the end of November, 2014.

**County Treasurer:** (1) As the Security Officer, every attempt to avoid performing cashier duties will be made. In the event of being short staffed, I will make the effort to have a second party be involved in the process and make the entry into the cash register program to allow them to have overview of the transaction. (2) Notes on tax roll changes are required by the new software program now being used, and it is also required to have a second person verify the change. This was implemented September 1, 2014. (3) The prior Security Officer may have been monitoring the security log. I am at this time checking it daily to form a habit of checking it and will continue to check it on a regular basis. This review may not be daily, but will be multiple times per week.

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

**Finding 2013-3 – Inadequate Segregation of Duties Over Receipting and Balancing Processes – County Treasurer (Repeat Finding)**

**Condition:** The duties of issuing receipts, preparing deposits, and reconciling bank statements in the County Treasurer’s office are not properly segregated. However, the Treasurer has implemented several mitigating controls. After evaluating the mitigating controls that have been implemented, the following weakness still exists:

- All employees issue receipts and have administrator rights to void receipts. A Receipt Number Exception log was maintained, but was not being printed and reviewed until around the end of the audit period.

The following items, when evaluated with the weakness noted above, further weaken the controls in place regarding the collections process:

- All employees work from the same cash drawers.
- A mail log is not utilized for collections.
- Copies or scanned images of deposited check payments are not maintained.

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**Cause of Condition:** Although the Treasurer has worked to implement internal controls over the collections process, there are still weaknesses that should be addressed to safeguard funds and ensure accurate financial reporting.

**Effect of Condition:** These conditions could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of funds.

**Recommendation:** OSAI recommends the Treasurer implement the following compensating controls to mitigate the risks involved with a concentration of duties:

- A report of voided receipts should be generated daily and reviewed for validity and accuracy. Explanations for voided receipts should be included on the report. The report should reflect evidence of the review with initials and dates.

The Treasurer could further strengthen internal controls by implementing the following procedures:

- Establish separate cash drawers for all employees receiving cash.
- Maintain a daily log of mailed in receipts.
- Maintain copies or scanned images of deposited check payments.

**Management Response:**

**County Treasurer:** (1) A software upgrade has made it possible to deny access to individuals for the purpose of voids. As of September 1, 2014, only the official and first deputy can allow voids of receipts. It is office policy that no person can void their own receipt and the program requires that the person issuing the receipt cannot be the one that voids the receipt. (2) All employees do work from the same cash drawers, but more than one employee counts the drawer and verifies the cash that remains for the daily business and also the cash for the deposit daily; this is not always the same two persons. If there is an issue with cash it is addressed immediately. All cash drawers are monitored and are in an open area of the office. Daily program generated cash and check deposits are used and balanced daily. All cash is accounted for each day and is verified by more than one employee. This full disclosure appears to be appropriate for this office. (3) A mail log is not utilized and is not within our capacity to do so at this time. It may be possible to incorporate it into the day during the non-tax season. The mail is brought to the office and another staff sorts the mail, then another staff member opens the mail. All mail is kept in a secured file cabinet within the vault until receipted in. (4) Copies or scanned images are not being kept at this time. I have inquired with the company that handles our tax program regarding the scanning of checks. This may be possible at a later date.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, the duties of receipting collections, delivering deposit, and maintaining financial ledgers/reconciliations should be segregated.

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**Finding 2013-4 – Inadequate Segregation of Duties Over the Payroll Process (Repeat Finding)**

**Condition:** Upon inquiry and observation of the County’s payroll process, the following was noted:

- One person maintains all personnel files, inputs all employee information (i.e. salaries, pay rates, etc.), and processes payroll.
- Payroll printouts are not independently reviewed by someone other than the payroll clerk to ensure that all changes made have been approved and that any unapproved changes have not gone undetected.

**Cause of Condition:** Policies and procedures have not been designed with regard to segregation of duties and/or compensating internal controls over the payroll process.

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

**Recommendation:** OSAI recommends the County Clerk implement the following compensating control to mitigate the risks involved with a concentration of duties:

- The County Clerk or the First Deputy should independently review payroll printouts, after the Payroll Clerk has finalized payroll, to ensure that all changes made have been approved and that any unapproved changes have not gone undetected.

**Management Response:**

**County Clerk:** I have immediately started to have the payroll clerk give me the complete payroll packet after the completion of each payroll. I go through and initial the first page of the affidavit after I have reviewed the documents and made sure everything is correct. I also sent in a request to our software vendor to add to our software a document that would print an audit log for each payroll to show all changes made on that payroll. I will personally be doing this for each payroll. In my absence, the first deputy will perform this duty.

**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 help ensure a proper accounting of funds, the duties of processing, authorizing, and payroll distribution should be segregated.

**Finding 2013-5 – Inadequate Internal Controls Over Purchasing and Noncompliance with State Statutes (Repeat Finding)**

**Condition:** Our test of sixty-five purchase orders reflected the following noncompliance with regard to purchasing statutes:

- Seven were not timely encumbered.

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- One was not properly signed indicating evidence of review.
- One did not have the required documentation attached verifying that the political subdivision of the state from which the item was purchased is subject to the Oklahoma Central Purchasing Act or similar procedures as required by statute.

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

**Effect of Condition:** This condition resulted in noncompliance with state statute, laws, or regulations and could result in inaccurate records, incomplete information, or a misappropriation of assets.

**Recommendation:** OSAI recommends management implement procedures to ensure compliance with purchasing statutes. Purchase orders should be encumbered before goods or services are ordered. All purchases should be properly requisitioned, encumbered, approved, and reviewed with proper supporting documentation attached. In addition, all purchases from a state agency or political subdivision of the state should have a statement attached to the purchase order which verifies that the organization from which the item is being purchased is subject to the Oklahoma Central Purchasing Act or similar competitive bidding procedures.

**Management Response:**

**County Commissioner District 1:** I was not Commissioner in the time period specified; however, we have implemented procedures to ensure compliance with purchasing statutes and also understand that all supporting documentation should accompany the purchase order.

**County Commissioner District 2:** We will work toward implementing procedures to better ensure compliance with purchasing statutes.

**County Commissioner District 3:** We will monitor to ensure that purchase orders are to be gotten first, before any supplies are ordered and/or any work is done for any projects.

**County Clerk:** I am going over closely with my purchasing agents to help work with other offices as they bring in their purchasing paper work so they can go over with them for correctness and help them understand the correct process set by statutes for purchasing. I will bring these findings before the officials at our quarterly Officers' meeting and discuss at that time the proper procedures with them.

**County Sheriff:** Any future purchases from an agency subject to the Oklahoma Central Purchasing Act will have a letter verifying the same attached to the purchasing documents. The Commissioners will be asked to pass a resolution to make the purchase before the purchase is made. Regarding the purchase order for travel that was not timely encumbered: This was a unique circumstance where the Sheriff felt it was only right to reimburse an employee for travel expenses incurred. The Sheriff currently has a policy to eliminate this from happening again.

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**Criteria:** Effective internal controls require that management properly implement procedures to ensure that purchases are made in compliance with 19 O.S. § 1505 and with 19 O.S. § 421.1(D) with regard to purchases from a state agency or political subdivision.

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

**Finding 2013-11 – Inadequate County-Wide Controls Over Major Federal Programs – FEMA and CDBG (Repeat Finding)**

**PASS-THROUGH GRANTOR:** Oklahoma Emergency Management; Oklahoma Department of Commerce

**FEDERAL AGENCY:** U.S. Department of Homeland Security; U.S. Department of Housing and Urban Development

**CFDA NO:** 97.036; 14.228

**FEDERAL PROGRAM NAME:** Disaster Grants – Public Assistance (Presidentially Declared Disasters); Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii

**FEDERAL AWARD NUMBER:** DR-1988, DR-4117, 14169 CDBG10, 15093 CDBG11

**FEDERAL AWARD YEAR:** 2013

**CONTROL CATEGORY:** Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Davis-Bacon Act; Matching, Level of Effort, Earmarking; Period of Availability of Federal Funds; Procurement and Suspension and Debarment; Reporting; and Special Tests and Provisions

**QUESTIONED COSTS:** \$-0-

**Condition:** County-wide controls regarding Control Environment, Risk Assessment, Information and Communication, 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 to 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:** I was not Commissioner in the time period specified; however, I will talk to the other Commissioners to gain a better understanding of requirements for these programs and implement internal control procedures to ensure compliance with requirements.

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**County Commissioner District 2:** I will work with the other Commissioners to establish a written policy to better follow procedures.

**County Commissioner District 3:** McIntosh County will implement a system of internal control to ensure compliance with grant requirements and also establish policies and procedures regarding the handling of federal funds along with establishing a written policy regarding the reporting of known or suspected misappropriation 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 met. Internal control comprises the plans, methods, and procedures used to meet missions, goals, and objectives. Internal control also serves as the first line of defense in safeguarding assets and preventing and detecting errors and fraud. County management is responsible for designing a county-wide internal control system comprised of Control Environment, Risk Assessment, Information and Communication, and Monitoring for the achievement of these goals.

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

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

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

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

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that management know their responsibilities for internal control and the need to make control monitoring part of their regular operating process.

**Finding 2013-12 – Inadequate Internal Controls Over Major Federal Programs – FEMA (Repeat Finding)**

**PASS-THROUGH GRANTOR:** Oklahoma Department of Emergency Management

**FEDERAL AGENCY:** U.S. Department of Homeland Security

**CFDA NO:** 97.036

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

**FEDERAL AWARD NUMBER:** DR-1988, DR-4117

**FEDERAL AWARD YEAR:** 2013

**CONTROL CATEGORY:** Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort, Earmarking; Period of Availability of Federal Funds; Procurement and Suspension and Debarment; and Special Tests and Provisions

**QUESTIONED COSTS:** \$-0-

**Condition:** During the process of documenting the county's internal controls regarding federal disbursements, we noted that McIntosh County has not established procedures to ensure compliance with the following compliance requirements: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort, Earmarking; Period of Availability of Federal Funds; Procurement and Suspension and Debarment; and Special Tests and Provisions.

**Cause of Condition:** Procedures have not been designed to ensure federal expenditures are made in accordance with federal compliance requirements.

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

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

**Management Response:**

**County Commissioner District 1:** I was not Commissioner in the time period specified; however, I will talk to the other Commissioners to gain a better understanding of requirements for these programs and implement internal control procedures to ensure compliance with requirements.

**County Commissioner District 2:** The Commissioners will set a policy to follow procedures to make sure we are in compliance.



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**County Commissioner District 3:** McIntosh County will strive to gain more knowledge and understanding of these requirements and implement more internal control procedures to ensure compliance with these requirements.

**Criteria:** *OMB A-133, Subpart C, § \_\_.300* reads as follows:

Subpart C-Auditees

§\_\_.300 Auditee responsibilities.

The auditee shall:

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

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

**Finding 2013-13 – Inadequate Internal Controls Over Major Federal Programs – CDBG**

**PASS THROUGH GRANTOR:** Oklahoma Department of Commerce

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

**CFDA NO:** 14.228

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

**FEDERAL AWARD NUMBER:** 14169 CDBG10, 15093 CDBG11

**FEDERAL AWARD YEAR:** 2013

**CONTROL CATEGORY:** Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Davis-Bacon Act; Matching, Level of Effort, Earmarking; Period of Availability of Federal Funds; Procurement and Suspension and Debarment; and Reporting

**QUESTIONED COSTS:** \$-0-

**Condition:** During the process of documenting the County's internal controls regarding federal disbursements, we noted that McIntosh County has not established procedures to ensure compliance with the following compliance requirements: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Davis-Bacon Act; Matching, Level of Effort, Earmarking; Period of Availability of Federal Funds; Procurement and Suspension and Debarment; and Reporting.

**Cause of Condition:** Procedures have not been designed to ensure federal expenditures are made in accordance with federal compliance requirements.

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

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

**Management Response:**

**County Commissioner District 1:** I was not Commissioner in the time period specified; however, I will talk to the other Commissioners to gain a better understanding of requirements for these programs and implement internal control procedures to ensure compliance with requirements.

**County Commissioner District 2:** The Commissioners will set a policy to follow procedures to make sure we are in compliance.

**County Commissioner District 3:** McIntosh County will strive to gain more knowledge and understanding of these requirements and implement more internal control procedures to ensure compliance with these requirements.

**Criteria:** *OMB A-133, Subpart C, § \_\_.300* reads as follows:

Subpart C-Auditees

§\_\_.300 Auditee responsibilities.

The auditee shall:

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

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

**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 2013-2 – Inadequate Internal Controls Over Bidding Procedures**

**Condition:** It was noted that the County solicited the following bid, but did not solicit the bid to include a trade-in allowance.

- In July 2012, the County purchased a 2012 pickup in the amount of \$9,982.00; however, the actual purchase price was \$26,982.00 with a trade-in allowance of \$17,000.00.

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**Cause of Condition:** Procedures designed by statute have not been followed to ensure that bid procedures are followed.

**Effect of Condition:** This condition resulted in noncompliance with state statutes, laws, or regulations and could result in inaccurate records, incomplete information, or a misappropriation of assets. Additionally, the County may have paid more for the goods/services than they would have if bids had been solicited to include a trade-in allowance.

**Recommendation:** OSAI recommends that the County adhere to state purchasing procedures. Furthermore, OSAI recommends that the all purchases for \$10,000 or more, be bid in accordance with state statutes. (As of May 6, 2014, the bid limit was increased to \$15,000.)

**Management Response:**

**County Commissioner District 1:** At the time of this purchase, I was not Commissioner. In the future, all purchasing requirements and statutes will be followed.

**County Commissioner District 2:** At the time we felt we solicited this bid in a correct manner. Wording may have to be checked better next time.

**County Commissioner District 3:** We will bid correctly in the future.

**County Clerk:** The deputy that did this bid process no longer works here. I have gone over this with the deputy that now processes bids so we can be more accurate and to prevent this from happening in the future.

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

19 O.S. § 1505(B) requires the counties to solicit bids, compare them to the state contract price for the items, and select "the lowest and best bid based upon, if applicable, the availability of material and transportation cost to the job site within 30 days," specifying the reason "any time the lowest bid was not considered to be the lowest and best bid."

**Finding 2013-7 – Inadequate Internal Controls and Noncompliance Over Inmate Trust Fund Checking Account and Sheriff Commissary Fund (Repeat Finding)**

**Condition:** Upon inquiry and observation of the Inmate Trust Fund Checking Account and Sheriff Commissary Fund, the following exceptions were noted:

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- One employee retrieves funds from the commissary kiosk, prepares the deposit slip, takes the deposit to the bank, and marks the funds as deposited in the commissary system.
- Inmate ledger balances are not reconciled to the bank statements.
- During the audit period, funds were not deposited into the Inmate Trust Fund Checking Account on a daily basis.
- Expenditures are made from the Inmate Trust Fund Checking Account for purposes other than to the Sheriff Commissary Fund or refund to inmates.
- The Sheriff's office does not file an Annual Report for the Commissary Fund with the Board of County Commissioners by January 15<sup>th</sup>, of each year.

**Cause of Condition:** Policies and procedures have not been designed and implemented regarding the Inmate Trust Fund Checking Account and Sheriff Commissary Fund.

**Effect of Condition:** These conditions resulted in noncompliance with state statutes, laws, and regulations. Also, without proper accounting and safeguarding of the Inmate Trust Fund Checking Account, there is an increased risk of misappropriation of funds.

**Recommendation:** OSAI recommends the following:

- 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 have physical custody of assets, prepare deposits, make deposits, and sign off that deposits are completed. OSAI further recommends implementing compensating controls to mitigate the risks involved with a concentration of duties. Compensating controls would include having management review and approve accounting functions.
- Inmate trust fund monies should be maintained in a manner that reflects each inmate's trust deposits, disbursements, and account balances. The inmate's ledger balances should be reconciled to the bank statements each month.
- Funds should be retrieved from the commissary kiosk and deposited to the Inmate Trust Fund Checking Account daily.
- Expenditures should be made from the Inmate Trust Fund Checking Account in accordance with 19 O.S. § 531 A.
- The Sheriff should file a report of the commissary with the Board of County Commissioners by January 15<sup>th</sup>, of each year.

**Management Response:**

**County Sheriff:** (1) One employee will now retrieve the funds from the kiosk and cash drawers and count the funds. A second employee will count again and prepare the deposit. They will verify amounts and sign documents. One will make the deposit and again, both will verify the deposited amount, noting that the cash was deposited exactly as it was counted. (2) A statement of inmate balances will now accompany the daily consolidation and deposit as well as the monthly reconciliations. (3) A deposit will be made for each day there are funds. (4) Expenditures made on behalf of the inmates for medical bills will now be paid by purchase order through the Commissary account. (5) The Sheriff's office does file an annual report, but will now follow the suggested outline.

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**Criteria:** Accountability and stewardship are overall goals of management in accounting of funds. To help ensure a proper accounting of funds, no one individual should have the ability to have physical custody of assets, prepare deposits, make deposits, and sign off that deposits are completed. In addition, bank reconciliations should be performed each month and funds should be deposited daily.

Title 19 O.S. § 531 A. states in part, “The county sheriff may establish a checking account, to be designated the “Inmate Trust Fund Checking Account.” The county sheriff shall deposit all monies collected from inmates incarcerated in the county jail into this checking account and may write checks to the Sheriff’s Commissary Account for purchases made by the inmate during his or her incarceration and to the inmate from unencumbered balances due the inmate upon his or her discharge.”

Title 19 O.S. § 180.43 D. states in part “The sheriff shall file an annual report on any said commissary under his or her operation no later than January 15 of each year.”

**Finding 2013-8 – Inadequate Segregation of Duties – Court Clerk (Repeat Finding)**

**Condition:** Upon inquiry of the Court Clerk, the Court Clerk employees, and observation, we noted the following weaknesses with regard to segregation of duties related to the receipting process of the Court Clerk and the expenditure process over the District Court.

Receipting Process:

- All employees operate from the same cash drawer.
- One employee issues receipts, balances the cash drawer, prepares deposits, takes the deposit to the Treasurer, and reconciles daily receipts to the cash book.

Expenditure Process:

- One employee balances and processes the report that lists the amount of fees that go to each entity, prints vouchers distributing these fees, takes vouchers to the Treasurer’s office to be registered, and mails vouchers to the entities.

**Cause of Condition:** Procedures have not been designed and implemented to adequately segregate the duties of the receipting process and the disbursement process within the office of the Court Clerk.

**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 that 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. Regarding the receipting process, OSAI recommends that one employee should not be performing all of the duties regarding issuing receipts, balancing the cash drawer, preparing the

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deposit, and delivering the deposit to the County Treasurer's office. Further, we recommend that all employees issuing receipts operate from separate cash drawers. The cash drawer should be closed out, reconciled to the employees daily receipts, and be approved by someone independent of the cash drawer and making the deposit.

OSAI also recommends the following key accounting functions of the disbursement process for the District Court be adequately segregated as follows:

- Balancing and processing the applied fees report.
- Printing vouchers.
- Reviewing the voucher paid report.
- Signing and registering vouchers with the County Treasurer.
- Distribution of vouchers.

**Management Response:**

**Court Clerk:** We will review the expenditure and receipting duties within the Court Clerk's office and work to segregate duties where possible as well as implement internal controls. I do not feel that it would be beneficial for my office at this time to use individual cash drawers because of visibility and safety. With our office layout being divided, the process of using one cash drawer and receipt printer at the front counter allows anyone issuing receipts to be visible to the main office. I periodically balance the drawer at various times during the day and also no one is allowed to leave at the end of the day until the drawer is balanced. Since implementing this policy right after I took office as Court Clerk, we have balanced daily and monthly to the penny.

**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.

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**Finding 2012-11 – Inadequate County-Wide Controls Over Major Federal Programs – FEMA (Repeat Finding)**

**Pass-Through Grantor:** Oklahoma Department Emergency Management

**Federal Agency:** U.S. Department of Homeland Security

**CFDA No:** 97.036

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

**Federal Award Number:** DR-1876, DR-1988

**Federal Award Year:** 2012

**Control Category:** Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort, Earmarking; Period of Availability of Federal Funds; and Procurement and Suspension and Debarment

**Questioned Costs:** \$-0-

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

**Status:** No corrective action taken.

**Finding 2012-12 – Inadequate Internal Controls Over Major Federal Programs – FEMA (Repeat Finding)**

**Pass-Through Grantor:** Oklahoma Department of Emergency Management

**Federal Agency:** U.S. Department of Homeland Security

**CFDA No:** 97.036

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

**Federal Award Number:** DR-1876, DR-1988

**Federal Award Year:** 2012

**Control Category:** Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort, Earmarking; Period of Availability of Federal Funds; and Procurement and Suspension and Debarment

**Questioned Costs:** \$-0-

**Finding Summary:** During the process of documenting the County's internal controls regarding federal disbursements, we noted that McIntosh County has not established procedures to ensure compliance with the following compliance requirements: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort, Earmarking; Period of Availability of Federal Funds; and Procurement and Suspension and Debarment.

**Status:** No corrective action taken.

**Finding 2011-15 – Lack of Internal Controls Over Compliance Requirements – FEMA (Repeat Finding)**

**Pass-Through Grantor:** Oklahoma Department of Emergency Management

**Federal Agency:** United States Department of Homeland Security

**CFDA No:** 97.036

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

**Federal Award Number:** 1876, 1917, 1988

**McINTOSH COUNTY, OKLAHOMA  
PRIOR YEAR SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**Federal Award Year:** 2011

**Control Category:** Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort, Earmarking; Period of Availability of Federal Funds; Procurement and Suspension and Debarment; and Special Tests and Provisions

**Questioned Costs:** \$-0-

**Finding Summary:** During the process of documenting the County's internal controls regarding federal disbursements, we noted the County has not established procedures to ensure compliance with the following compliance requirements: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort, Earmarking; Period of Availability of Federal Funds; Procurement and Suspension and Debarment; and Special Tests and Provisions.

**Status:** No corrective action taken.

**Finding 2011-18 – Inaccurate Supporting Documentation - Labor and Equipment - FEMA**

**Pass-Through Grantor:** Oklahoma Department of Emergency Management

**Federal Agency:** United States Department of Homeland Security

**CFDA No:** 97.036

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

**Federal Award Number:** 1988

**Federal Award Year:** 2011

**Control Category:** Allowable Costs/Cost Principles

**Questioned Costs:** \$1,444.15

**Finding Summary:** Project Worksheet 537:

- While comparing daily activity reports to timesheets at District 2 for June 6, 2011, the County charged 8 labor hours for an employee when his timesheet reflected he was on annual leave, resulting in a \$159.60 overcharged to the grant. Also, for the same employee 8 hours were charged for operating a bulldozer on the same day his timesheet reflected leave totaling \$520.00 overcharged to the grant.
- While comparing daily activity reports to timesheets at District 2 on June 7, 2011, the County charged 9 labor hours for an employee when his timesheet reflected he was on sick leave, totaling \$179.55 overcharged to the grant. Also, for the same employee 9 hours were charged for operating a bulldozer on the same day in which his timesheet reflected leave totaling \$585.00 overcharged to the grant.

**Status:** No corrective action taken.

**Finding 2011-19 – County-Wide Controls Over Major Programs – FEMA (Repeat Finding)**

**Pass-Through Grantor:** Oklahoma Department of Emergency Management

**Federal Agency:** United States Department of Homeland Security

**CFDA No:** 97.036

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

**Federal Award Number:** 1876, 1917, 1988

**Federal Award Year:** 2011



**McINTOSH COUNTY, OKLAHOMA  
PRIOR YEAR SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**Control Category:** Activities Allowed/Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching Level of Effort/Earmarking; Period of Availability; Procurement and Suspension and Debarment; and Special Tests and Provisions

**Questioned Costs:** \$-0-

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

**Status:** No corrective action taken.

**Finding 2010-15 – Lack of Internal Controls Over Compliance Requirements – FEMA (Repeat Finding)**

**Pass-Through Grantor:** Oklahoma Department of Emergency Management

**Federal Agency:** United States Department of Homeland Security

**CFDA No:** 97.036

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

**Federal Award Number:** 1678, 1712, 1752, 1754, 1876, 1917

**Federal Award Year:** 2010

**Control Category:** Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort, Earmarking; Period of Availability of Federal Funds; and Procurement and Suspension and Debarment

**Questioned Costs:** \$-0-

**Finding Summary:** During the process of documenting the County's internal controls regarding federal disbursements, we noted the County has not established procedures to ensure compliance with the following compliance requirements: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort, Earmarking; Period of Availability of Federal Funds; and Procurement and Suspension and Debarment.

**Status:** No corrective action taken.

**Finding 2010-16 – County-Wide Controls Over Major Programs – FEMA (Repeat Finding)**

**Pass-Through Grantor:** Oklahoma Department of Emergency Management

**Federal Agency:** United States Department of Homeland Security

**CFDA No:** 97.036

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

**Federal Award Number:** 1678, 1712, 1752, 1754, 1876, 1917

**Federal Award Year:** 2010

**Control Category:** Activities Allowed/Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching Level of Effort/Earmarking; Period of Availability; and Procurement, Suspension and Debarment

**Questioned Costs:** \$-0-

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

**Status:** No corrective action taken.

**McINTOSH COUNTY, OKLAHOMA  
PRIOR YEAR SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**Finding 2010-17 – Scope of Work - FEMA**

**Pass-Through Grantor:** Oklahoma Department of Emergency Management

**Federal Agency:** United States Department of Homeland Security

**CFDA No:** 97.036

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

**Federal Award Number:** 1752, 1754

**Federal Award Year:** 2010

**Control Category:** Allowable Costs/Cost Principles

**Questioned Costs:** \$10,050.85

**Finding Summary:** The County did not have documentation to support the scope of work for materials listed on several project worksheets resulting in question costs of \$10,050.85.

**Status:** No corrective action taken.

**Finding 2010-18 – Direct Administrative Costs - FEMA**

**Pass-Through Grantor:** Oklahoma Department of Emergency Management

**Federal Agency:** United States Department of Homeland Security

**CFDA No:** 97.036

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

**Federal Award Number:** 1752, 1754

**Federal Award Year:** 2010

**Control Category:** Allowable Costs/Cost Principles; Matching, Level of Effort, Earmarking

**Questioned Costs:** \$715.98

**Finding Summary:** Several projects lacked documentation to support direct administrative costs resulting in questioned costs of \$715.98.

**Status:** No corrective action was taken.

**Finding 2009-15 – Lack of Internal Controls Over Compliance Requirements – FEMA**

**Pass-Through Grantor:** Oklahoma Department of Emergency Management

**Federal Agency:** United States Department of Homeland Security

**CFDA No:** 97.036

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

**Federal Award Number:** 1712, 1752, 1754, 1823

**Federal Award Year:** 2009

**Control Category:** Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort, Earmarking; Period of Availability of Federal Funds; and Procurement and Suspension and Debarment

**Questioned Costs:** \$-0-

**Finding Summary:** During the process of documenting the County's internal controls regarding federal disbursements, we noted the County has not established procedures to ensure compliance with the following compliance requirements: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort, Earmarking; Period of Availability of Federal Funds; and Procurement and Suspension and Debarment.

**Status:** No corrective action taken.

**McINTOSH COUNTY, OKLAHOMA  
PRIOR YEAR SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**Finding 2009-16 – County-Wide Controls Over Major Programs – FEMA (Repeat Finding)**

**Pass-Through Grantor:** Oklahoma Department of Emergency Management

**Federal Agency:** United States Department of Homeland Security

**CFDA No:** 97.036

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

**Federal Award Number:** 1712, 1752, 1754, 1823

**Federal Award Year:** 2009

**Control Category:** Activities Allowed/Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching Level of Effort/Earmarking; Period of Availability; and Procurement and Suspension and Debarment

**Questioned Costs:** \$-0-

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

**Status:** No corrective action taken.

**Finding 2009-17 – Scope of Work - FEMA**

**Pass-Through Grantor:** Oklahoma Department of Emergency Management

**Federal Agency:** United States Department of Homeland Security

**CFDA No:** 97.036

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

**Federal Award Number:** 1752, 1754, 1823

**Federal Award Year:** 2009

**Control Category:** Allowable Costs/Cost Principles

**Questioned Costs:** \$49,195.52

**Finding Summary:** The County did not have documentation to support the scope of work for materials listed on several project worksheets resulting in questioned costs of \$49,195.52.

**Status:** No corrective action taken.

**Finding 2009-18 – Direct Administrative Costs - FEMA**

**Pass-Through Grantor:** Oklahoma Department of Emergency Management

**Federal Agency:** United States Department of Homeland Security

**CFDA No:** 97.036

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

**Federal Award Number:** 1752, 1754, 1823

**Federal Award Year:** 2009

**Control Category:** Allowable Costs/Cost Principles; Matching, Level of Effort, Earmarking

**Questioned Costs:** \$862.21

**Finding Summary:** Several projects were lacking documentation to support direct administrative costs resulting in questioned costs of \$862.21.

**Status:** No corrective action taken.

**McINTOSH COUNTY, OKLAHOMA  
PRIOR YEAR SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**Finding 2009-19 – Equipment Codes - FEMA**

**Pass Through Grantor:** Oklahoma Department of Emergency Management

**Federal Agency:** United States Department of Homeland Security

**CFDA No:** 97.036

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

**Federal Award Number:** 1823

**Federal Award Year:** 2009

**Control Category:** Allowable Costs/Cost Principles

**Questioned Costs:** \$123.80

**Finding Summary:** Incorrect FEMA codes were used for several pieces of equipment documented on Project Worksheet #84. This resulted in a net over-charge of \$123.80.

**Status:** No corrective action taken.

**Finding 2008-17 – Lack Of Internal Controls Over Compliance Requirements - FEMA**

**Pass-Through Grantor:** Oklahoma Department of Emergency Management

**Federal Agency:** United States Department of Homeland Security

**CFDA No:** 97.036

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

**Federal Award Number:** 1678, 1707, 1712, 1752, 1754

**Federal Award Year:** 2008

**Control Category:** Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort, Earmarking; Period of Availability of Federal Funds; Procurement and Suspension and Debarment; and Special Tests and Provisions

**Questioned Costs:** \$-0-

**Finding Summary:** During the process of documenting the County's internal controls regarding federal disbursements, we noted the County has not established procedures to ensure compliance with the following compliance requirements: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort, Earmarking; Period of Availability of Federal Funds; Procurement and Suspension and Debarment; and Special Tests and Provisions.

**Status:** No corrective action taken.

**Finding 2008-19 – Inaccurate Supporting Documentation - Labor and Equipment - FEMA**

**Pass-Through Grantor:** Oklahoma Department of Emergency Management

**Federal Agency:** United States Department of Homeland Security

**CFDA No:** 97.036

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

**Federal Award Number:** 1712

**Federal Award Year:** 2008

**Control Category:** Allowable Costs/Cost Principles

**Questioned Costs:** \$2,567.84

**Finding Summary:** While performing testwork, it was noted that employees' timesheets did not agree to the force account summaries regarding labor and equipment, resulting in overcharges of \$2,567.84.

**Status:** No corrective action taken.

**McINTOSH COUNTY, OKLAHOMA  
PRIOR YEAR SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**Finding 2008-20 – County-Wide Controls Over Major Programs - FEMA**

**Pass-Through Grantor:** Oklahoma Department of Emergency Management

**Federal Agency:** United States Department of Homeland Security

**CFDA No:** 97.036

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

**Federal Award Number:** 1678, 1707, 1712, 1752, 1754

**Federal Award Year:** 2008

**Control Category:** Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort, Earmarking; Period of Availability of Federal Funds; Procurement And Suspension And Debarment; And Special Tests And Provisions

**Questioned Costs:** \$-0-

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

**Status:** No corrective action was taken.

**Finding 2008-21 – Scope of Work - FEMA**

**Pass-Through Grantor:** Oklahoma Department of Emergency Management

**Federal Agency:** United States Department of Homeland Security

**CFDA No:** 97.036

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

**Federal Award Number:** 1712

**Federal Award Year:** 2008

**Control Category:** Allowable Costs/Cost Principles

**Questioned Costs:** \$37,069.93

**Finding Summary:** The County did not have documentation to support the scope of work for materials listed on several project worksheets resulting in questioned costs of \$37,069.93.

**Status:** No corrective action taken.



**OFFICE OF THE STATE AUDITOR & INSPECTOR**  
2300 N. LINCOLN BOULEVARD, ROOM 100  
OKLAHOMA CITY, OK 73105-4896

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