

COUNTY AUDIT

McINTOSH COUNTY

For the fiscal year ended June 30, 2016



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, 2016**

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Oklahoma State Auditor & Inspector

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

September 19, 2018

TO THE CITIZENS OF
McINTOSH COUNTY, OKLAHOMA

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

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

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

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

Sincerely,

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

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

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

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

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INTRODUCTORY SECTION
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PRESENTED FOR INFORMATIONAL PURPOSES ONLY

**McINTOSH COUNTY, OKLAHOMA
STATISTICAL INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**



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 918/689-2741.

County Seat – Eufaula

Area – 712.48 Square Miles

County Population – 20,088
(2014 est.)

Farms – 1,018

Land in Farms – 235,936 Acres

Primary Source: Oklahoma Almanac 2015-2016

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

Board of County Commissioners

District 1 – Bill Phillips
District 2 – Tim Pendley
District 3 – Michael Burns

County Assessor

Trina Williams

County Clerk

Ronda Prince

County Sheriff

Kevin Ledbetter

County Treasurer

Betty Whisenhunt

Court Clerk

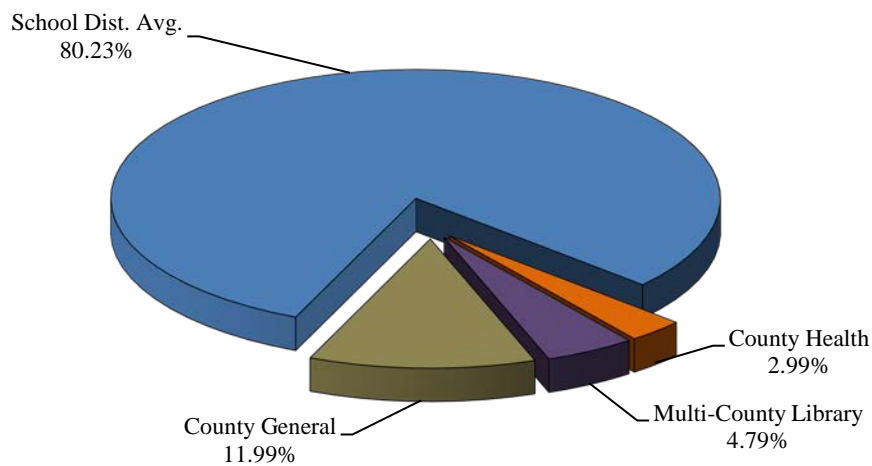
Carrie Pittman

District Attorney

Rob Barris

**McINTOSH COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

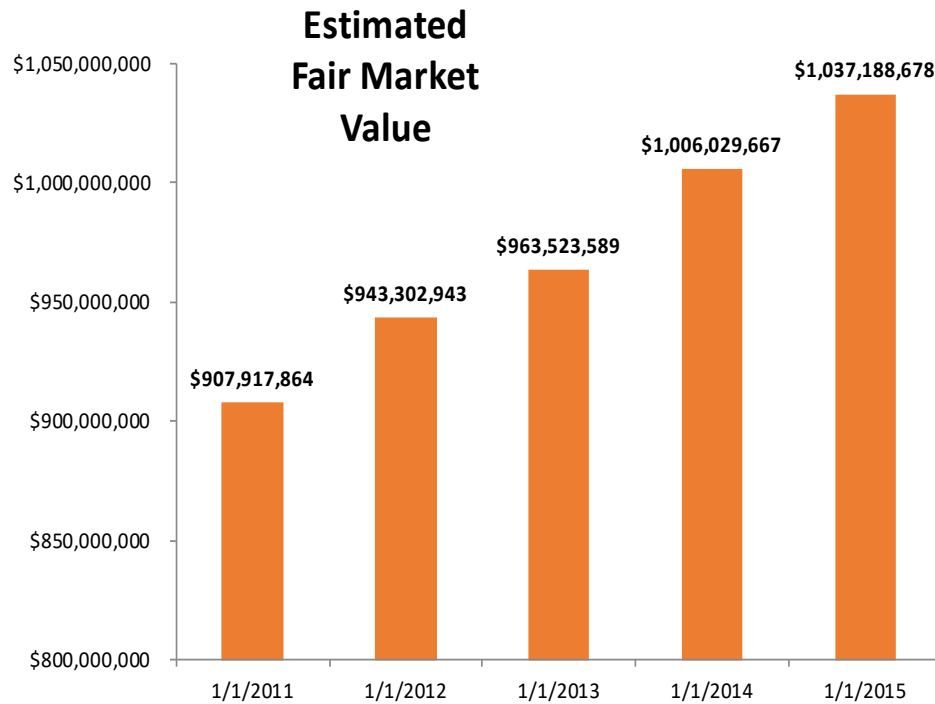
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the 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	9.38	12.37	4.10 66.30
Multi-County Library	4.10	Checotah	I-19		35.70	5.10	23.42	10.37	4.10 78.69
		Hanna	HA-64		36.85	5.26	-	10.04	4.10 56.25
		Midway	I-27		36.77	5.25	22.84	10.37	4.10 79.33
		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	30.46	12.49	4.10 88.46
		Dewar	J-8		36.24	5.18	14.90	12.49	4.10 72.91
		Warner	J-74		35.09	5.01	14.44	10.37	4.10 69.01
		Weleetka	J-31		35.00	5.00	28.94	10.04	4.10 83.08
		Graham-Dustin	J-54		36.44	5.21	-	10.04	4.10 55.79

**McINTOSH COUNTY, OKLAHOMA
ASSESSED VALUE OF PROPERTY
TREND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

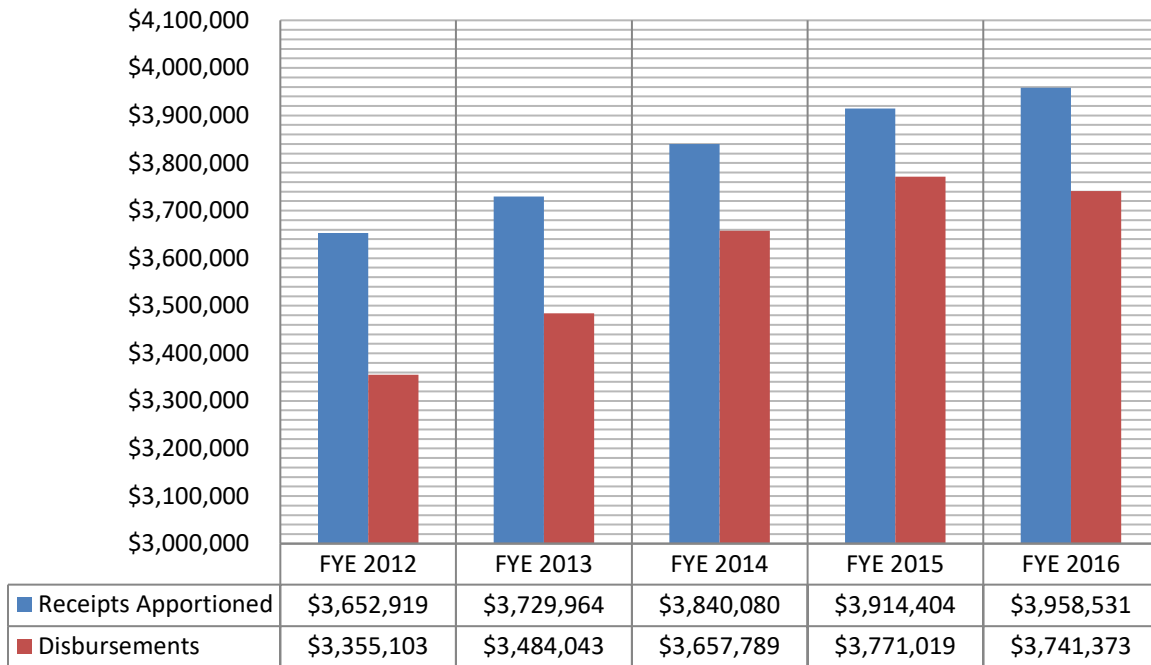
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2015	\$12,573,932	\$9,587,022	\$96,901,626	\$7,334,985	\$111,727,595	\$1,037,188,678
1/1/2014	\$14,598,669	\$9,615,933	\$91,435,480	\$7,214,483	\$108,435,599	\$1,006,029,667
1/1/2013	\$14,322,161	\$8,931,751	\$87,365,685	\$6,641,308	\$103,978,289	\$963,523,589
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



**McINTOSH COUNTY, OKLAHOMA
COUNTY GENERAL FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

County General Fund

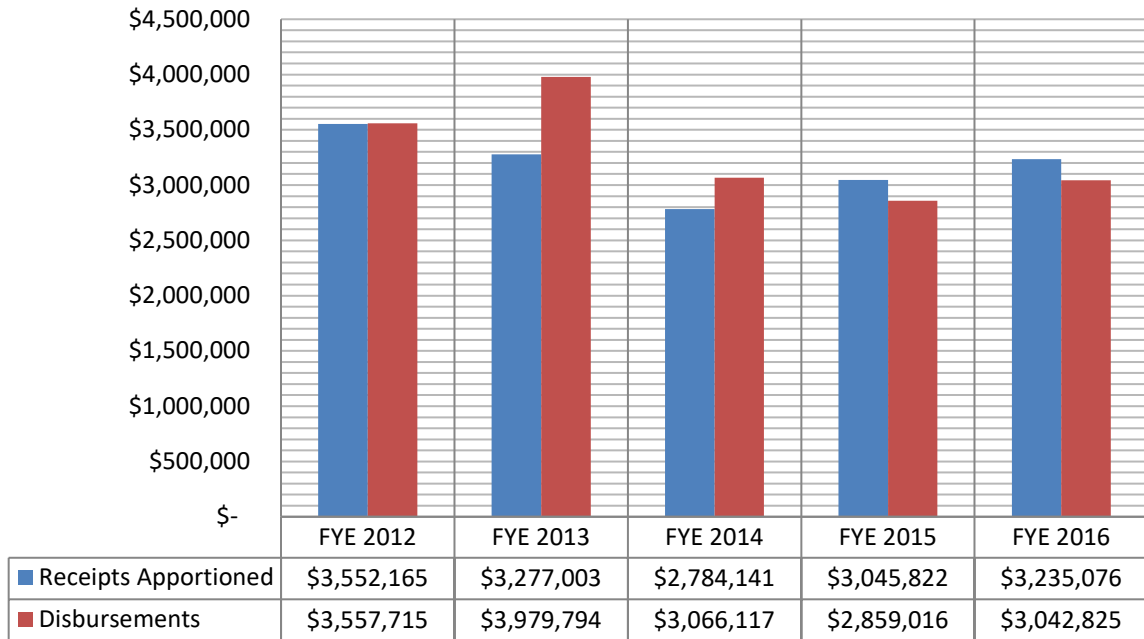
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also 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, 2016**

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 123 • 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, 2016, and the related notes to the financial statement, which collectively comprise the County's basic financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

Our responsibility is to express an opinion on 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 misstatements of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

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

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

As described in Note 1, the financial statement is prepared by 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, 2016, or changes in financial position for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

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

Other Matters

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 the Uniform Guidance, 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 September 18, 2018, 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 that reads "Gary A. Jones". The signature is fluid and cursive, with the first name "Gary" being more prominent than the last name "Jones".

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

September 18, 2018

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, 2016

	Beginning Cash Balances July 1, 2015	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2016
Combining Information:						
Major Funds:						
General Fund	\$ 2,842,502	\$ 3,958,531	\$ -	\$ -	\$ 3,741,373	\$ 3,059,660
Sinking Fund	30	-	-	-	-	30
County Health Department	157,937	287,948	-	-	211,423	234,462
Highway Cash Fund	2,086,031	3,235,076	140,000	336,287	3,042,825	2,081,995
Resale Cash Voucher Fund	369,281	182,924	49,601	-	184,131	417,675
Jail Sales Tax Operations Cash Fund	392,266	915,879	-	-	921,995	386,150
MCPFA Sales Tax Fund	73,969	915,424	-	-	914,252	75,141
Remaining Aggregate Funds	1,777,447	891,850	-	-	1,038,969	1,630,328
Combined Total - All County Funds	\$ 7,699,463	\$ 10,387,632	\$ 189,601	\$ 336,287	\$ 10,054,968	\$ 7,885,441

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, 2016

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. Disbursements are for the operation of the county health department.

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

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.

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

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.

MCPFA Sales Tax Fund – accounts for the collection of sales tax revenue 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 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.

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

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

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

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

2. Ad Valorem Tax

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

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

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

3. Other Information

A. Pension Plan

Plan Description. The County contributes to the Oklahoma Public Employees Retirement Plan (the Plan), a cost-sharing, multiple-employer defined benefit pension plan administered by the Oklahoma Public Employees Retirement System (OPERS). Benefit provisions are established and amended by the Oklahoma Legislature. The Plan provides retirement, disability, and death benefits

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

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 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

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

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, 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.

E. Interfund Transfers

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

- \$49,601 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.
- \$140,000 was transferred from the Emergency and Transportation Revolving Fund, a trust and agency fund, to the Highway Cash Fund as a loan used for bridge and road projects in the County.
- \$336,287 was transferred from the Highway Cash Fund to the Emergency and Transportation Revolving Fund, a trust and agency fund, to repay a loan used for bridge and road projects in the County.

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, 2016

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 2,842,502	\$ 2,842,502	\$ -
Less: Prior Year Outstanding Warrants	(99,402)	(99,402)	-
Less: Prior Year Encumbrances	(339)	(321)	18
Beginning Cash Balances, Budgetary Basis	2,742,761	2,742,779	18
Receipts:			
Ad Valorem Taxes	1,036,397	1,128,801	92,404
Charges for Services	90,000	137,462	47,462
Intergovernmental Revenues	633,534	810,750	177,216
Sales Tax	1,624,524	1,830,848	206,324
Miscellaneous Revenues	10,000	50,670	40,670
Total Receipts, Budgetary Basis	3,394,455	3,958,531	564,076
Expenditures:			
District Attorney	6,000	5,990	10
County Sheriff	657,823	588,572	69,251
County Treasurer	75,775	75,278	497
County Commissioners	267,928	216,201	51,727
OSU Extension	10,000	8,812	1,188
County Clerk	75,702	75,217	485
Court Clerk	286,033	285,597	436
County Assessor	77,033	76,348	685
Revaluation of Real Property	242,250	240,378	1,872
General Government	597,161	214,044	383,117
Excise-Equalization Board	7,000	4,548	2,452
County Election Expense	82,186	81,967	219
Sales Tax Senior Citizens - Checotah	82,444	8,793	73,651
Sales Tax Senior Citizens - Eufaula	41,436	13,234	28,202
Sales Tax Senior Citizens - Hanna	30,757	16,924	13,833
Sales Tax Senior Citizens - Salem Ryal	37,053	15,870	21,183
Sales Tax Senior Citizens - Oak Grove	22,979	18,784	4,195
Sales Tax Rural Fire - Texanna	21,215	6,300	14,915
Sales Tax Rural Fire - Tiger Mountain	36,305	7,533	28,772
Sales Tax Rural Fire - Vivian	28,287	16,080	12,207
Sales Tax Rural Fire - Salem Ryal	46,957	8,649	38,308
Sales Tax Rural Fire - Hanna	64,930	12,243	52,687
Sales Tax Rural Fire - Hitchita	39,667	21,697	17,970
Sales Tax Rural Fire - Lotta Watta	43,483	16,543	26,940
Sales Tax Rural Fire - Porum Landing	45,556	24,595	20,961

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, 2016

	General Fund		
	Budget	Actual	Variance
Continued from previous page			
Sales Tax Rural Fire - Paradise Point	83,152	12,808	70,344
Sales Tax Rural Fire - FAIC	33,005	17,482	15,523
Sales Tax Rural Fire - Onappa	32,265	11,449	20,816
Sales Tax Rural Fire - Rentiesville	54,432	25,434	28,998
Sales Tax Rural Fire - Shady Grove	51,089	13,488	37,601
Sales Tax Sheriff	225,144	181,654	43,490
Sales Tax Treasurer	182,502	21,057	161,445
Sales Tax County Clerk	204,995	127,297	77,698
Sales Tax Assessor	71,602	33,209	38,393
Sales Tax Court Clerk	112,677	5,397	107,280
Sales Tax OSU Extension	103,467	54,684	48,783
Sales Tax General Government	851,512	564,391	287,121
Sales Tax Courthouse	353,361	165,099	188,262
Sales Tax Highway	681,995	318,824	363,171
Sales Tax Library	93,529	93,529	-
Sales Tax Fair Board	41,135	36,340	4,795
Sales Tax EMS	22,193	8,439	13,754
County Audit Budget Account	11,111	-	11,111
Free Fair Budget Account	2,090	2,008	82
Total Expenditures, Budgetary Basis	6,137,216	3,752,786	2,384,430
Excess of Receipts and Beginning Cash			
Balances Over Expenditures, Budgetary Basis	\$ -	2,948,524	\$ 2,948,524
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		64,670	
Add: Current Year Encumbrances		46,466	
Ending Cash Balance		\$ 3,059,660	

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, 2016

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 157,937	\$ 157,937	\$ -
Less: Prior Year Outstanding Warrants	(42,099)	(42,099)	-
Beginning Cash Balances, Budgetary Basis	115,838	115,838	-
Receipts:			
Ad Valorem Taxes	260,020	281,649	21,629
Charges for Services	5,158	5,158	-
Intergovernmental Revenues	-	10	10
Miscellaneous Revenues	-	1,131	1,131
Total Receipts, Budgetary Basis	265,178	287,948	22,770
Expenditures:			
Health and Welfare	381,016	184,188	196,828
Total Expenditures, Budgetary Basis	381,016	184,188	196,828
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	219,598	\$ 219,598
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		12,644	
Add: Current Year Outstanding Warrants		2,220	
Ending Cash Balance		\$ 234,462	

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, 2016

	Beginning Cash Balances July 1, 2015	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2016
Remaining Aggregate Funds:				
County Assessor Fees Cash Fund	\$ 12,325	\$ 7,383	\$ 1,640	\$ 18,068
Mortgage Tax Cash Fund	4,836	3,565	427	7,974
County Clerk M&M Cash Fund	31,139	15,107	861	45,385
RM&P Cash Fund	23,381	25,827	24,140	25,068
Lake Patrol Cash Fund	10,201	13,209	2,323	21,087
Sheriff Revolving Narcotics Cash Fund	8,011	5,107	1,672	11,446
Sheriff Board of Prisoners Cash Fund	586,645	180,660	168,218	599,087
Sheriff Fees Cash Fund	64,970	143,054	132,198	75,826
Adult Drug Court Revolving Cash Fund	14,045	-	9,600	4,445
Jail Use Tax Cash Fund	91,897	85,350	50,400	126,847
McIntosh County 911	810,155	308,738	575,002	543,891
LEPC Cash Fund	545	-	-	545
Hazard Mitigation Plan Cash Fund	1,822	-	-	1,822
Sheriff Commissary	87,114	103,347	71,928	118,533
Emergency Management Cash Fund	64	503	560	7
MCPFA M&O	30,297	-	-	30,297
Combined Total - Remaining Aggregate Funds	\$ 1,777,447	\$ 891,850	\$ 1,038,969	\$ 1,630,328

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

1. Budgetary Schedules

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

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

2. Remaining County Funds

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

County Assessor Fees Cash Fund – accounts for revenues from fees charged by the Assessor and disbursement of funds as restricted by state statute.

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.

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.

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 for enforcement of controlled dangerous substances laws, drug abuse prevention and drug abuse education.

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 OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Sheriff Fees Cash Fund – accounts for revenues from fees collected for serving summons and notices. Disbursements are for any lawful expense of the Sheriff's office.

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

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 jail.

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

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

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

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.

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

MCPFA M&O – accounts for revenues from insurance claims for damage to property at the jail. Disbursements are for the maintenance and operation of the McIntosh County Jail.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. DEPARTMENT OF THE INTERIOR			
Direct Grant:			
Payments in Lieu of Taxes	15.226		\$ 228,339
Total U.S. Department of the Interior			<u>228,339</u>
U.S. DEPARTMENT OF TRANSPORTATION			
Passed Through the Oklahoma Department of Transportation:			
Highway Planning and Construction	20.205		<u>26,643</u>
Total U.S. Department of Transportation			<u>26,643</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed Through the Oklahoma Department of Emergency Management:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR-4222	<u>704,294</u>
Total U.S. Department of Homeland Security			<u>704,294</u>
Total Expenditures of Federal Awards			<u><u>\$ 959,276</u></u>

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

Basis of Presentation

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

On May 26, 2015 the President of the United States approved a Major Disaster Declaration for McIntosh County in response to May 5, 2015 through June 22, 2015 flooding. The County incurred \$243,380 in eligible expenditures in the prior fiscal year ending June 30, 2015. The Federal Emergency Management Agency approved all project worksheets for this disaster in the fiscal year ending June 30, 2016. Therefore, expenditures on the schedule of expenditures of federal awards for CFDA #97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters) will include \$243,380 in eligible expenditures incurred in the fiscal year ending June 30, 2015 and all eligible expenditures that were incurred in the fiscal year ending June 30, 2016.

INTERNAL CONTROL AND COMPLIANCE SECTION



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, 2016, and the related notes to the financial statement, which collectively comprises McIntosh County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated September 18, 2018.

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

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered 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 opinion 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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

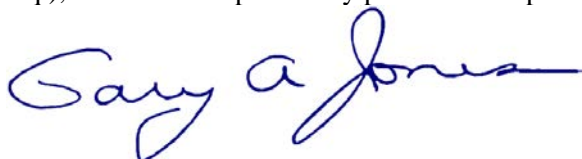
McIntosh County's Responses to Findings

McIntosh County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. 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 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.

A handwritten signature in blue ink, reading "Gary A. Jones". The signature is fluid and cursive, with the first name "Gary" being the most prominent.

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

September 18, 2018



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 the Uniform Guidance

TO THE OFFICERS OF
McINTOSH COUNTY, OKLAHOMA

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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 program for the year ended June 30, 2016.

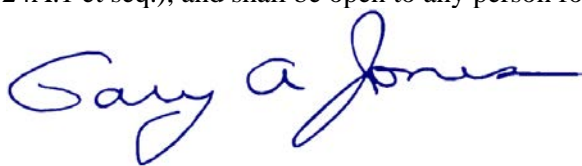
Report on Internal Control Over Compliance

Management of McIntosh County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered McIntosh County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not 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 2016-001, 2016-002, and 2016-003 to be material weaknesses.

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.

A handwritten signature in blue ink that reads "Gary A. Jones". The signature is fluid and cursive, with the first name "Gary" being the most prominent part.

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

September 18, 2018

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

SECTION 1—Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:

- Material weakness(es) identified?..... No
- Significant deficiency(ies) identified? None reported

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

Federal Awards

Internal control over major programs:

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

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

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

Identification of Major Programs

CFDA Number(s)

97.036

Name of Federal Program or Cluster

Disaster Grants - Public Assistance
(Presidentially Declared Disasters)

Dollar threshold used to distinguish between

Type A and Type B programs: \$750,000

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

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

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

No matters were reported.

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

Finding 2016-001 – Inadequate Internal Controls Over Federal Awards – Schedule of Expenditures of Federal Awards (Repeat Finding – 2015-001)

PASS THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: U.S. Department of Homeland Security

CFDA NO: 97.036

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

FEDERAL AWARD NUMBER: DR-4222

FEDERAL AWARD YEAR: 2016

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

QUESTIONED COSTS: \$-0-

Condition: The County has not designed and implemented formal internal controls for the reporting of its federal programs as required by federal regulations.

During our review and reconciliation of the Schedule of Expenditures of Federal Awards (SEFA) as initially prepared by the County, we noted the following:

- CFDA #97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disaster) expenditures were understated by \$93,623.

Cause of Condition: Policies and procedures have not been designed and implemented by the County to establish a uniform recording system of federal revenues and expenditures and to ensure the required reporting of federal awards are presented accurately and prepared in a timely manner.

Effect of Condition: This condition resulted in the inaccurate recording of federal expenditures on the SEFA.

Recommendation: The Oklahoma State Auditor & Inspector's Office (OSAI) recommends the County establish policies for handling all federal grants awarded to the County. These policies should incorporate, by reference, applicable federal regulations to be followed, as well as the appropriate policy for the

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

application, receipt, and expenditure of federal funds. OSAI also recommends that amounts reported on the SEFA be reconciled to the accounting records.

Management Response:

Board of County Commissioners Chairman: Through a resolution, the Board of County Commissioners (BOCC) have now established policies and procedures to ensure the accurate reporting of federal programs on the SEFA.

Criteria: *Title 2 CFR § 200.510, Financial Statements*, reads as follows:

- (a) *Financial statements.* The auditee must prepare financial statements that reflect its financial position, results of operations or changes in net assets, and, where appropriate, cash flows for the fiscal year audited. The financial statements must be for the same organizational unit and fiscal year that is chosen to meet the requirements of this part. However, non-Federal entity-wide financial statements may also include departments, agencies, and other organizational units that have separate audits in accordance with §200.514 Scope of audit, paragraph (a) and prepare separate financial statements.
- (b) *Schedule of expenditures of Federal awards.* The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with §200.502 Basis for determining Federal awards expended. [....]

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 2016-002 - Inadequate County-Wide Controls Over Major Federal Programs (Repeat Finding - 2008-020, 2009-016, 2010-016, 2011-019, 2012-011, 2013-011, 2014-011)

PASS-THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: U.S. Department of Homeland Security

CFDA NO: 97.036

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

FEDERAL AWARD NUMBER: DR-4222

FEDERAL AWARD YEAR: 2016

CONTROL CATEGORY: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort, Earmarking; Procurement and Suspension and Debarment; 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.

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

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

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

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

Management Response:

County Commissioner District 1: We will work harder to implement a system of internal controls 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.

County Commissioner District 2: During our quarterly officials' meeting, we will start having discussions regarding federal awards programs.

County Commissioner District 3: McIntosh County will implement a system of internal controls to ensure compliance with grant requirements.

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.

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.

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

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

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

Finding 2016-003 - Inadequate Internal Controls over Major Federal Programs – FEMA (Repeat Finding - 2008-017, 2009-015, 2010-015, 2011-015, 2012-012, 2013-012, 2014-012)

PASS THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: U.S. Department of Homeland Security

CFDA NO: 97.036

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

FEDERAL AWARD NUMBER: DR-4222

FEDERAL AWARD YEAR: 2016

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

Cause of Condition: Policies and 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.

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

Management Response:

County Commissioner District 1: McIntosh County will strive to gain more understanding and knowledge of said requirements and implement more internal control procedures to ensure compliance with these requirements.

County Commissioner District 2: The County will do better in establishing procedures to ensure compliance with federal programs.

County Commissioner District 3: McIntosh County will gain a better understanding of requirements and implement internal control procedures to ensure compliance.

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

The non-Federal entity must:

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

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 2016-004 - 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 and Court Fund held in the official depository.

Receipting:

- One employee issues receipts, balances the cash drawer, takes the deposit to the County Treasurer, and picks up mail from the post office.
- A mail log is not maintained.
- All employees operate from the same cash drawer.

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

Expenditures:

District Court:

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

Court Fund:

- One employee prints vouchers, signs vouchers, takes vouchers to the County Treasurer's office to be registered, and distributes vouchers.

Cause of Condition: Policies and procedures have not been designed and implemented to adequately segregate the duties of the receipting and disbursement processes 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 procedures be designed to separate key functions of the receipting process and of the expenditure process over District Court and Court Fund. In the event that a segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risk involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office, and having management review and approve accounting functions.

Management Response:

Court Clerk:

Receipting -

- I will implement a new policy so that I will have one deputy clerk that will not write receipts and that same employee will then balance the cash drawer and take the deposit to the County Treasurer. I will have the deputy clerks alternate picking up the mail each day.
- I will have two deputies opening the mail together.
- The following policy is in place to help mitigate the risk of all employees operating from the same cash drawer: When a receipt is issued, the deputy issuing the receipt is required to initial it and if cash is taken, the amount received and how it was received is written on the receipt along with what was given back. Each receipt is printed with the deputy's name on it from their computer.

Expenditures -

- District Court and Court Fund – I will be training my 1st Deputy how to do these procedures so that the process will be shared.

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.

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

Finding 2016-005 - Inadequate Internal Controls and Noncompliance Over Inmate Trust Fund Checking Account and Sheriff Commissary Fund (Repeat Finding)

Condition: An audit of the Inmate Trust Fund Checking Account and Sheriff Commissary Fund reflected the following:

- One employee retrieves funds from the kiosk, balances the retrieved funds to the amounts logged in the system by the booking officer, prepares the deposit ticket, and posts deposits to the commissary system.
- The amount of cash and checks encoded by the bank on the deposit receipt is not independently reviewed by someone other than the person making the deposit.
- Bank reconciliations are not prepared properly or timely and inmate ledger balances are not reconciled to the bank statements.
- The inmate ledger as of June 30, 2016, printed from the County Sheriff's Commissary software system reflected negative balances for twelve (12) inmates due to medical costs owed by the inmate. The negative balances are recorded in an effort to collect outstanding medical costs should the inmate be incarcerated again in the future.
- The Sheriff's office does not file an annual report for the Sheriff Commissary Fund with the Board of County Commissioners by January 15th, of each year.
- Inmate Trust Fund Checking Account debit cards are not kept in a secure location and all deputies have access to the debit cards. The monthly statements from the debit card company are not being retained and debit cards issued are not reconciled to individual inmate accounts.
- Inmate Trust Fund Checking Account checks are not kept in a secure location.
- The Jail Administrator has control of the Sheriff's signature stamp. The signature stamp is not registered with the Secretary of State.

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. In addition, 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 authorize transactions, have physical custody of assets, and record transactions.
- The encoded amount of cash and checks on bank deposit receipt should be reviewed and approved by someone other than the person making the deposit.
- Bank reconciliations should be accurately performed on a monthly basis. Additionally Inmate Trust Fund Checking Account 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.

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

- Procedures as set forth in Title 19 O.S. § 531 B. should be followed regarding the collection of inmates' medical costs.
- The County Sheriff should file a report of the Commissary with the Board of County Commissioners by January 15th, of each year in accordance with 19 O.S. § 180.43 D.
- Unissued debit cards should be maintained in a controlled environment with limited access. Debit cards listed on the monthly statements received from the debit card company should be reconciled to individual inmate accounts.
- Inmate Trust Fund Checking Account checks should be maintained in a controlled environment with limited access.
- Signature stamps should not be used by anyone other than the owner and should be adequately safeguarded from unauthorized use. Also, signature stamps should be registered with the Oklahoma Office of the Secretary of State in accordance with 62 O.S. § 602.

Management Response:

County Sheriff:

- The following process is now in place regarding segregation of duties: Two employees retrieve funds from the kiosk. Employee one balances the funds to the system. Employee two prepares the deposit. Both of these employees verify and initial the deposit slip. A third employee takes the deposit to the bank. Employee two will verify and initial the amount of cash and checks encoded by the bank on the deposit receipt. Employee one posts the deposit on the system.
- The amount of cash and checks encoded by the bank on the deposit receipt is now reviewed by someone other than the person making the deposit. See process noted above.
- A software representative will be contacted for assistance with properly preparing bank reconciliations.
- The Jail Administrator and I have discussed the matter and respectfully, fail to understand the issue. A review of both statutes, Title 19 § 531 and Title 22 § 979a, does not make it clear to me. They both seem to refer to balances upon release. Title 19 states that the Sheriff "shall" collect the remaining balance and refers to Title 22. Title 22 states the Sheriff "shall be authorized" to collect by civil actions. The Jail Administrator has reached out to at least 4 other jails who also carry negative balances. She also contacted our vendors for commissary and medical. Both are unaware of the issue and state that all their jails also carry negative balances. I understand that while other jails do it this same way does not necessarily make it right. While my Administrator and I are willing to pave the way to change this, I do not see a clear cut solution. Certainly we can stop having negative balances once an inmate is released and the Administrator will take steps to move towards this by visiting with the District Attorney and the Court Clerk. The larger issue of negative balances while they are incarcerated is not so simple. The obvious solution would be to stop charging for medical altogether as you cannot only charge those with funds. This will take some further consideration.
- The County Sheriff's secretary will take over the duty of preparing the annual commissary report.
- Debit cards are now secured in a locked drawer and monthly statements are reconciled.
- A lock has been installed on the desk drawer where the Inmate Trust Fund Checking Account checks are kept.

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

- One signature stamp has been destroyed. The other stamp is locked in the County Sheriff's office. The stamp is now registered with the Secretary of State.

Criteria: Accountability and stewardship are overall goals of management in the 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 post transactions to the accounting system. In addition, bank reconciliations should be properly performed each month, as well as a reconciliation of debit cards to individual inmate accounts.

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'," and, "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. § 531 B. states in part, "...If the funds collected from the inmate's jail account are insufficient to satisfy the actual or minimal payment on account for medical costs, the sheriff shall collect the remaining balance of the medical care and treatment as provided in Section 979a of Title 22 of the Oklahoma Statutes."

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."

Title 62 O.S. § 602 requires any authorized officer to file his manual signature, certified by him under oath, with the Oklahoma Secretary of State for his facsimile signature to have the same legal effect as his manual signature.

Finding 2016-006 - Inadequate Internal Controls and Noncompliance Over Consumable Inventories (Repeat Finding)

Condition: Upon inquiry and observation of the recordkeeping processes regarding consumable inventories, the following was noted:

District 3

- Documentation of the periodic review of consumable inventory is not maintained.
- Transfer documentation for all consumable inventories (e.g., grader blades, tires, and rock) is not used.
- The fuel log does not include a running balance that can be reconciled to fuel on hand.
- Fuel records are not maintained for fuel dispensed from portable fuel tanks.

Cause of Condition: Policies and procedures have not been implemented to ensure the accurate reporting of consumable inventories.

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

Effect of Condition: These conditions could result in inaccurate records, unauthorized use of consumable inventories, or loss of consumable inventories.

Recommendation: OSAI recommends the following with regards to consumable items:

- A physical review of consumable items should be performed and documented. The review should be initialed and dated by the employee performing the physical review and retained to show the design and implementation of internal controls.
- Transfer documents should be completed and retained.
- Fuel logs should be maintained to show a running fuel balance. The balance should be reconciled to the fuel on hand periodically.
- Fuel logs should be maintained for all fuel storage tanks, including any fuel tanks located in the back of fuel transportation trucks.

Management Response:

County Commissioner District 3: Consumable items inventory has been caught up and is being maintained to date; transfer documents have been completed and kept up to date; fuel logs show daily fuel balance; and fuel logs are being kept for each fuel tank that transports to other equipment.

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

APPENDIX A

CORRECTIVE ACTION PLAN

(Prepared by County Management)

**McIntosh County
Board Of Commissioners**

P O Box 110
Eufaula, OK 74432

**Bill Phillips
District #1
918.473 6219**

**Tim Pendley
District #2
918.689 5459**

**Michael Burns
District #3
918 689.4686**

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

Finding No.	Title (Financial) or CFDA No. & Program Name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-001	97.036 Disaster Grants – Public Assistance	Resolution R17-180 was passed implementing McIntosh County procedures for Schedule of Expenditures of Federal Awards.	06/26/17	Bill Phillips, Chairman BOCC
2016-002	97.036 Disaster Grants – Public Assistance	As part of our design of County Wide Controls, we plan to pass a Resolution to incorporate a checklist into our quarterly risk assessment meetings. In addition we will hold kick off meeting for all awarded grants. In this meeting we will discuss all requirements applicable to awarded grant.	02/26/18	Bill Phillips, Chairman BOCC
2016-003	97.036 Disaster Grants – Public Assistance	We plan to pass a Resolution requiring a kick off meeting for all awarded grants. In this meeting we will outline all applicable compliance requirements with corresponding internal control procedures for each. Commissioners, Safety Director, County Treasurer, County Clerk, Commissioners Secretary and Road Hands will all be required to attend this meeting.	02/26/18	Bill Phillips, Chairman BOCC

APPENDIX B

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

(Prepared by County Management)

McIntosh County Board Of Commissioners

P O Box 110
Eufaula, OK 74432

Bill Phillips
District #1
918.473 6219

Tim Pendley
District #2
918.689 5459

Michael Burns
District #3
918 689.4686

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

FINANCIAL AUDIT FINDINGS

Finding 2012-001, 2013-001, 2014-001

Inadequate Internal Controls Over Information Systems Security – County Treasurer and County Clerk

Finding Summary: 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.

Status: Corrective action was taken.

Finding 2008-002, 2009-002, 2010-002, 2011-002, 2012-003, 2013-003, 2014-003

Inadequate Segregation of Duties Over Receipting and Balancing Processes – County Treasurer

Finding Summary: Although the County Treasurer has implemented several compensating controls to mitigate the risks of having inadequate segregation of duties, weaknesses still exist.

Status: Corrective action was taken.

Finding 2008-006, 2009-006, 2010-006, 2011-006, 2012-004, 2013-004, 2014-004

Inadequate Segregation of Duties Over the Payroll Process

Finding Summary: One person maintains all personnel files, inputs all employee information, and processes payroll. Also, payroll printouts are not independently reviewed by someone other than the Payroll Clerk.

Status: Corrective action was taken.

Finding 2008-008, 2009-007, 2010-007, 2011-007, 2012-005, 2013-005, 2014-005

Inadequate Internal Controls Over Purchasing and Noncompliance with State Statutes

Finding Summary: Our test of sixty-six purchase orders reflected the following noncompliance with regard to purchasing statutes: Six purchase orders were not timely encumbered, one was not properly signed indicating evidence of review, and one had an improper/incomplete invoice attached.

Status: Corrective action was taken.

FEDERAL AUDIT FINDINGS

Finding 2008-020, 2009-016, 2010-016, 2011-019, 2012-011, 2013-011, 2014-011

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

Pass-Through Grantor: Oklahoma Department of 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-4117; DR-1988; DR-1876; DR-1823; DR-1917; DR-1754; DR-1752; DR-1712; DR-1707; DR-1678; 14169 CDBG10; 15093 CDBG11; 15174 CDBG12;

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

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-

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. This finding has been reoccurring due to a lack of training within management and the County as a whole. As part of our design of County Wide Controls, we plan to pass a Resolution to incorporate a checklist into our quarterly risk assessment meetings. In addition we will hold kick off meeting for all awarded grants. In this meeting we will discuss all requirements applicable to awarded grant.

Finding 2008-017, 2009-015, 2010-015, 2011-015, 2012-012, 2013-012, 2014-012

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-4117; DR-1988; DR-1876; DR-1823; DR-1917; DR-1754; DR-1752; DR-1712; DR-1707; DR-1678

Federal Award Year: 2014; 2013; 2012; 2011; 2010; 2009; 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: The County has not established procedures to ensure compliance with applicable compliance requirements.

Status: No corrective action was taken. This finding has been reoccurring due to a lack of training within management and the County as a whole. Also, the pass thru agency has failed to fully answer the County's questions regarding compliance with federal grant requirements. We plan to pass a Resolution requiring a kick off meeting for all awarded grants. In this meeting we will outline all applicable compliance requirements with corresponding internal control procedures for each.

Commissioners, Safety Director, County Treasurer, County Clerk, Commissioners Secretary and Road Hands will all be required to attend this meeting.

Finding 2013-013, 2014-013

Inadequate Internal Controls Over Major Federal Programs – CDBG (Repeat Finding)

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: 15174 CDBG12; 14169 CDBG10; 15093 CDBG11

Federal Award Year: 2014; 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-

Finding Summary: The County has not established procedures to ensure compliance with applicable compliance requirements.

Status: No corrective action was taken. This finding has been reoccurring due to a lack of training within management and the County as a whole. Management has not reviewed the compliance supplement for CDBG grants. We plan to pass a Resolution requiring a kick off meeting for all awarded grants. In this meeting we will outline all applicable compliance requirements with corresponding internal control procedures for each.

Commissioners, Safety Director, County Treasurer, County Clerk, Commissioners Secretary and Road Hands will all be required to attend this meeting.

Finding 2011-018 – Inaccurate Supporting Documentation – Labor and Equipment – FEMA

Pass-Through Grantor: Oklahoma Department of Emergency Management

Federal Agency: U.S. Department of Homeland Security

CFDA No: 97.036

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

Federal Award Number: DR-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 for 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: This finding does not warrant further action because two years have passed since the audit report in which the finding occurred was submitted to the Federal Clearinghouse, the Federal agency nor the pass-through entity is currently following up with the County regarding this finding, and a management decision has not been issued.

Finding 2010-017 – Scope of Work – FEMA

Pass-Through Grantor: Oklahoma Department of Emergency Management

Federal Agency: U.S. Department of Homeland Security

CFDA No: 97.036

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

Federal Award Number: DR-1752, DR-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 questioned costs of \$10,050.85.

Status: This finding does not warrant further action because two years have passed since the audit report in which the finding occurred was submitted to the Federal Clearinghouse, the Federal agency nor the pass-through entity is currently following up with the County regarding this finding, and a management decision has not been issued.

Finding 2010-018 – Direct Administrative Costs – FEMA

Pass-Through Grantor: Oklahoma Department of Emergency Management

Federal Agency: U.S. Department of Homeland Security

CFDA No: 97.036

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

Federal Award Number: DR-1752, DR-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: This finding does not warrant further action because two years have passed since the audit report in which the finding occurred was submitted to the Federal Clearinghouse, the Federal agency nor the pass-through entity is currently following up with the County regarding this finding, and a management decision has not been issued.

Finding 2009-017 – Scope of Work – FEMA

Pass-Through Grantor: Oklahoma Department of Emergency Management

Federal Agency: U.S. Department of Homeland Security

CFDA No: 97.036

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

Federal Award Number: DR-1752, DR-1754, DR-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: This finding does not warrant further action because two years have passed since the audit report in which the finding occurred was submitted to the Federal Clearinghouse, the Federal agency nor the pass-through entity is currently following up with the County regarding this finding, and a management decision has not been issued.

Finding 2009-018 – Direct Administrative Costs – FEMA

Pass-Through Grantor: Oklahoma Department of Emergency Management

Federal Agency: U.S. Department of Homeland Security

CFDA No: 97.036

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

Federal Award Number: DR-1752, DR-1754, DR-1823

Federal Award Year: 2009

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

Questioned Costs: \$862.21

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

Status: This finding does not warrant further action because two years have passed since the audit report in which the finding occurred was submitted to the Federal Clearinghouse, the Federal agency nor the pass-through entity is currently following up with the County regarding this finding, and a management decision has not been issued.

Finding 2009-019 – Equipment Codes – FEMA

Pass-Through Grantor: Oklahoma Department of Emergency Management

Federal Agency: U.S. Department of Homeland Security

CFDA No: 97.036

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

Federal Award Number: DR-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: This finding does not warrant further action because two years have passed since the audit report in which the finding occurred was submitted to the Federal Clearinghouse, the Federal agency nor the pass-through entity is currently following up with the County regarding this finding, and a management decision has not been issued.

Finding 2008-019 – Inaccurate Supporting Documentation-Labor and Equipment – FEMA

Pass-Through Grantor: Oklahoma Department of Emergency Management

Federal Agency: U.S. Department of Homeland Security

CFDA No: 97.036

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

Federal Award Number: DR-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: This finding does not warrant further action because two years have passed since the audit report in which the finding occurred was submitted to the Federal Clearinghouse, the Federal agency nor the pass-through entity is currently following up with the County regarding this finding, and a management decision has not been issued.

Finding 2008-021 – Scope of Work – FEMA

Pass-Through Grantor: Oklahoma Department of Emergency Management

Federal Agency: U.S. Department of Homeland Security

CFDA No: 97.036

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

Federal Award Number: DR-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: This finding does not warrant further action because two years have passed since the audit report in which the finding occurred was submitted to the Federal Clearinghouse, the Federal agency nor the pass-through entity is currently following up with the County regarding this finding, and a management decision has not been issued.



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