



BLAINE COUNTY

Financial Report

For the fiscal year ended June 30, 2021

Cindy Byrd, CPA
State Auditor & Inspector

**BLAINE COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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OKLAHOMA
Office of the State Auditor & Inspector

Cindy Byrd, CPA | State Auditor & Inspector

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June 30, 2022

TO THE CITIZENS OF
BLAINE COUNTY, OKLAHOMA

Transmitted herewith is the audit of Blaine County, Oklahoma for the fiscal year ended June 30, 2021. 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.

This report is 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.

Sincerely,

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

**BLAINE COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Board of County Commissioners

District 1 – Mike Allen
District 2 – Brandon Schultz
District 3 – Raymond Scheffler

County Assessor

Rian Parker

County Clerk

Jennifer Haigler

County Sheriff

Travis Daugherty

County Treasurer

Donna Hoskins

Court Clerk

Christy Matli

District Attorney

Michael Fields

**BLAINE COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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FINANCIAL SECTION



Independent Auditor's Report

TO THE OFFICERS OF
BLAINE COUNTY, OKLAHOMA

Report on the Financial Statement

We have audited the total—all county funds on the accompanying regulatory basis Statement of Receipts, Disbursements, and Changes in Cash Balances of Blaine County, Oklahoma, as of and for the year ended June 30, 2021, and the related notes to the financial statement, which collectively comprise the County's basic financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Blaine County as of June 30, 2021, 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 total receipts, disbursements, and changes in cash balances for all county funds of Blaine County, as of and for the year ended June 30, 2021, in accordance with the basis of accounting described in Note 1.

Other Matters

Supplementary Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2022, on our consideration of Blaine County’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County’s internal control over financial reporting or on compliance. That report is an integral part

of an audit performed in accordance with *Government Auditing Standards* in considering Blaine County's internal control over financial reporting and compliance.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

June 24, 2022

REGULATORY BASIS FINANCIAL STATEMENT

BLAINE COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Beginning Cash Balances July 1, 2020	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2021
County Funds:						
County General	\$ 15,488,028	\$ 4,373,135	\$ -	\$ -	\$ 3,675,905	\$ 16,185,258
County Highway Unrestricted	17,094,881	9,289,702	-	-	5,994,656	20,389,927
County Bridge and Road Improvement	1,506,252	225,091	-	-	-	1,731,343
County Building	354,754	9,000	-	-	2,822	360,932
County Clerk Records Management and Preservation	149,692	35,399	-	-	14,997	170,094
County Clerk Lien Fee	266,162	27,539	-	-	38,444	255,257
Treasurer Mortgage Certification	18,894	1,315	-	-	-	20,209
Sheriff Service Fee	130,466	257,906	-	-	266,601	121,771
Health	866,083	458,527	-	-	176,542	1,148,068
Drug Court	16,372	30,563	-	-	27,854	19,081
Resale Property	253,847	76,664	8,775	-	48,540	290,746
Lake Patrol	11,466	25,515	-	-	16,085	20,896
Lodging Tax - ST	293,340	52,111	-	-	30,276	315,175
Sheriff Forfeiture	6,244	9,324	-	-	3,003	12,565
Emergency Management	76,212	26,062	-	-	9,383	92,891
911 Phone Fees	120,319	-	-	-	120,086	233
Reward Fund	1,100	99	-	-	-	1,199
Assessor Revolving Fee	47,869	2,492	-	-	18,170	32,191
Sheriff Commissary	248	9,379	-	-	3,008	6,619
Rural Fire - ST	3,119,097	334,947	-	-	1,190,357	2,263,687
Court Clerk Payroll	43,267	52,729	-	-	90,066	5,930
Emergency Medical Service - ST	913,573	167,275	-	-	374,776	706,072
County Donations	-	13,099	-	-	8,984	4,115
Total - All County Funds	\$ 40,778,166	\$ 15,477,873	\$ 8,775	\$ -	\$ 12,110,555	\$ 44,154,259

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

**BLAINE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

The County Treasurer collects and remits material amounts of intergovernmental revenues and ad valorem tax revenue for other budgetary entities, including emergency medical districts, 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 within the financial statement:

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

County Highway Unrestricted – accounts for state, local, and miscellaneous receipts to be disbursed for the purpose of constructing and maintaining county roads and bridges.

County Bridge and Road Improvement – accounts for state receipts to be disbursed for the purpose of constructing and maintaining county roads and bridges.

County Building – accounts for collection of rent on county-owned buildings to be disbursed for building maintenance.

County Clerk Records Management and Preservation – accounts for fees collected for instruments filed with the County Clerk's office to be disbursed as restricted by state statute.

**BLAINE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

County Clerk Lien Fee – accounts for lien collections to be disbursed as restricted by state statute.

Treasurer Mortgage Certification – accounts for the collection of fees by the Treasurer for mortgage tax certificates to be disbursed as restricted by state statute.

Sheriff Service Fee – accounts for the collection of sheriff process service fees to be disbursed as restricted by state statute, the collection of funding from the State Department of Corrections, local police department to be disbursed as restricted by state statute, fees collected through the courts to be disbursed for administrative expenses and supervision of offenders, and for fees collected through the courts to be disbursed for courthouse security.

Health – accounts for monies collected on behalf of the county health department from ad valorem taxes and state and local revenues to be disbursed for the operation of the county health department.

Drug Court – accounts for the funds received from the Oklahoma Department of Mental Health and Substance Abuse Services and fees from participants to be disbursed for the operations of the adult drug court.

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

Lake Patrol – accounts for state funds used for the patrol of the Canton Lake area.

Lodging Tax – ST – accounts for the collection of hotel/motel tax to be disbursed only for maintenance of the fairgrounds.

Sheriff Forfeiture – accounts for property forfeited to the Sheriff from arrests involving illegal use of drugs and disbursements are used for intervention and prevention of narcotics use.

Emergency Management – accounts for state and federal grant money to enhance the County's Emergency Management.

911 Phone Fees – accounts for monies received from private telephone companies for the operations of emergency 911 services.

Reward Fund – accounts for fines collected for littering offenses to be disbursed for information leading to the arrest and conviction of such persons.

Assessor Revolving Fee – accounts for the collection of fees for copies to be disbursed as restricted by state statute.

**BLAINE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Sheriff Commissary – accounts for the collections of the sale of items to inmates to be disbursed to purchase commissary goods from the vendor and for the maintenance and operation of the county jail.

Rural Fire – ST – accounts for sales tax collections received from Oklahoma Tax Commission to be disbursed for the purpose of contracting with the following communities: Canton, Eagle City, Geary, Greenfield, Hitchcock, Hydro, Longdale, Okeene, and Watonga for rural fire protection as deemed necessary by the Board of County Commissioners (BOCC).

Court Clerk Payroll – accounts for funds deposited by the Court Clerk to be disbursed for payroll for the Court Clerk’s office.

Emergency Medical Service – ST – accounts for sales tax collections received from Oklahoma Tax Commission to be disbursed for the purpose of contracting with the following 522 EMS Districts: Canton, Geary, Okeene, and Watonga for such emergency services as may be deemed necessary by the BOCC.

County Donations – accounts for donations accepted by and approved by the BOCC on behalf of the County along with a resolution stating the amount of the donation, purpose, and any restrictions.

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 allows 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, which specifies the format and presentation of such regulatory basis financial statements: county governments (primary only) are required to present their financial statements on a fund basis format with, at a minimum, the general fund and all other county funds, which represent ten percent or greater of total county revenue with all other funds included in the audit presented in the aggregate in a combining statement. However, the County has elected to present all funds included in the audit in the Statement of Receipts, Disbursements, and Changes in Cash Balances—Regulatory Basis.

**BLAINE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

D. Budget

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

E. Cash and Investments

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

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

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

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

2. Ad Valorem Tax

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

**BLAINE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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

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

3. Other Information

A. Pension Plan

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

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

B. Other Post Employment Benefits (OPEB)

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

C. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, primarily the federal government. Any disallowed claims, including amounts 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; however, the County expects such amounts, if any, to be immaterial.

**BLAINE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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

Sales Tax of November 2, 2004

On November 2, 2004, the voters of Blaine County approved a county sales tax of one-half of one percent (1/2 of 1%) for an indefinite period of time for the purpose of maintaining and operating the Blaine County Courthouse and Jail. These funds are accounted for in the County General fund.

Sales Tax if November 6, 2012

On November 6, 2012, the voters of Blaine County approved an additional county sales tax of one quarter of one percent (1/4 of 1%) to become effective on January 1, 2013 for a period of ten (10) years and terminating on December 31, 2023. This sales tax was established for the purpose of contracting with the following communities: Canton, Eagle City, Geary, Greenfield, Hitchcock, Hydro, Longdale, Okeene, and Watonga, for such rural fire protection as may be deemed necessary by the Board of County Commissioners. These funds are accounted for in the Rural Fire – ST fund.

Sales Tax of April 4, 2017

On April 4, 2017, the voters of Blaine County approved an additional sales tax of one eighth of one percent (1/8 of 1%) to become effective on July 1, 2017 and continuing thereafter. This sales tax was established for the purpose of contracting with the following 522 Emergency Medical Services (EMS) Districts: Canton, Geary, Okeene, and Watonga for such emergency services as may be deemed necessary by the board of County Commissioners. These funds are accounted for in the Emergency Medical Services – ST fund.

E. Interfund Transfers

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

- \$8,775 was transferred from the Excess Resale fund (a trust and agency fund) to the Resale Property fund in accordance with 68 O.S. § 3131(c).

SUPPLEMENTARY INFORMATION

BLAINE COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—
BUDGETARY BASIS—GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	General Fund		
	Budget	Actual	Variance
District Attorney	\$ 19,279	\$ 8,316	\$ 10,963
County Sheriff	821,310	685,043	136,267
County Treasurer	72,609	63,608	9,001
OSU Extension	63,001	52,295	10,706
County Clerk	120,049	118,033	2,016
Court Clerk	170,424	114,157	56,267
County Assessor	136,642	110,428	26,214
Revaluation of Real Property	212,327	151,476	60,851
Juvenile Shelter Bureau	23,568	20,989	2,579
General Government	722,795	141,693	581,102
Excise Board	6,000	3,463	2,537
County Election	108,222	103,452	4,770
Insurance	876,690	807,351	69,339
Emergency Management	90,853	89,786	1,067
Charity	1	-	1
County Audit Budget	35,712	817	34,895
Sales Tax	15,028,815	1,247,406	13,781,409
Total Expenditures, Budgetary Basis	\$ 18,508,297	\$ 3,718,313	\$ 14,789,984

BLAINE COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—
BUDGETARY BASIS—HEALTH FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Health Fund		
	Budget	Actual	Variance
Health and Welfare	\$ 1,248,911	\$ 225,801	\$ 1,023,110
Total Expenditures, Budgetary Basis	\$ 1,248,911	\$ 225,801	\$ 1,023,110

**BLAINE COUNTY, OKLAHOMA
NOTE TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

1. Budgetary Schedules

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

INTERNAL CONTROL AND COMPLIANCE SECTION



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

TO THE OFFICERS OF
BLAINE COUNTY, OKLAHOMA

We have audited, 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, the total—all county funds of the accompanying Statement of Receipts, Disbursements, and Changes in Cash Balances of Blaine County, Oklahoma, as of and for the year ended June 30, 2021, and the related notes to the financial statement, which collectively comprise Blaine County’s basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated June 24, 2022.

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 as of and for the year ended June 30, 2021, 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 Blaine County’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of Blaine County’s internal control. Accordingly, we do not express an opinion on the effectiveness of Blaine County’s internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be material weaknesses: 2021-001 and 2021-004.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Blaine 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 financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2021-004.

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

Blaine County's Response to Findings

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

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 results 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.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

June 24, 2022

**BLAINE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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

Finding 2021-001 – Lack of County–Wide Internal Controls (Repeat Finding – 2012-001, 2013-001, 2014-001, 2015-001, 2018-001, 2019-001, 2020-001)

Condition: Through the process of gaining an understanding of the County’s internal control structure, it was noted that county-wide controls regarding the Control Environment, Risk Assessment, Information and Communication, and Monitoring have not been designed.

Cause of Condition: Policies and procedures have not been designed and implemented to address the risks of the County.

Effect of Condition: Without an adequate system of county-wide controls, there is greater risk of a breakdown in control activities which could result in unrecorded transactions, undetected errors, or misappropriation of funds.

Recommendation: The Oklahoma State Auditor & Inspector’s Office (OSAI) recommends that the County design and implement a system of county-wide procedures to identify and address risks related to financial reporting and to ensure that information is communicated effectively. OSAI also recommends that the County design and implement monitoring procedures to assess the quality of performance over time. These procedures should be written policies and procedures and could be included in the County’s policies and procedures handbook.

Management Response:

Chairman of the Board of County Commissioners: We will develop in-depth documentation of the county-wide controls. I will encourage better communication and cooperation among the officers. In officer meetings, I will use the checklist found on OSAI website to generate conversation regarding the Control Environment, Risk Assessment, Information and Communication, and Monitoring.

County Clerk: Once a quarter, the Elected Officials of the Courthouse, the Sheriff, one Commissioner, and all three (3) Commissioners’ Secretaries will meet to discuss County internal controls. It will be suggested to each Elected Official that if they are not able to attend a meeting that that can send an employee in their place. Each person attending will be required to sign in. Minutes will be kept by a member of the County Clerk’s office. The minutes and sign in sheets will be kept in the County Clerk’s office. Any information that the group feels necessary will be place on the agenda and brought before the BOCC.

County Treasurer: I will encourage all officers in Blaine County to bring identified risks within the County to the quarterly officers’ meeting to discuss. We could start by going through our audit findings and see what we could do to resolve the issues. I will encourage other officers' input on how to address the identified risks and document the outcome.

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

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

Definition of Internal Control

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

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

Components, Principles, and Attributes

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

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

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

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

Finding 2021-004 – Lack of Internal Controls and Noncompliance Over Disbursement and Payroll Processes (Repeat finding – 2012-005, 2013-004, 2014-004, 2015-004, 2018-003, 2019-003, 2020-004)

Condition: Upon inquiry, observation, and testing, the following weaknesses were noted:

- The County does not have an adequate segregation of duties to ensure that duties assigned to individuals are done so in a manner that would not allow one individual to control both the recording function and the procedures relative to processing a transaction.
- Vault access is not limited.
- A review of warrants maintained in the vault found:
 - Five (5) warrants were not properly defaced.
- Correction fluid is being used on receiving reports, purchase orders, bid documentation, and invoices to change original information.
- An audit of forty (40) expenditures noted the following weaknesses:

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- Seven (7) expenditures totaling \$934,543 were not supported by signed receiving reports and/or contractual information.
- Five (6) expenditures totaling \$537,207 were not encumbered prior to receiving goods or services.
- One (1) fiscal year 2020 expenditure totaling \$47,380 was paid for using fiscal year 2021 funds.
- Additional purchase orders were reviewed during unpredictability test work and the following weaknesses were noted:
 - Three vendors received duplicate payments on four (4) invoices. Duplicate payments totaled \$892.
 - General Fund purchase order 2270 was not signed by the purchasing agent approving the encumbrance, was not approved by the BOCC for payment, and the payment for the expenditure related to this purchase order was issued to and cashed by the wrong vendor.

Cause of Condition: Policies and procedures have not been designed and implemented with regard to disbursement and payroll processes to ensure adequate internal controls and compliance with state statute.

Effect of Condition: These conditions resulted in noncompliance with state statute and could result in unrecorded transactions, misstated financial reports, undetected errors and misappropriation of funds.

Recommendation: OSAI recommends the County design and implement a system of internal controls over the disbursement and payroll processes to ensure compliance with 19 O.S. § 1505. Such controls should include ensuring that funds are encumbered prior to the receipt of goods and/or services, expenditures are paid to the proper vendor for the proper amount, supported by adequate documentation, charged to the proper period, and that original documents are not altered.

Additionally, OSAI recommends management ensure voided warrants are properly deface and vault access is limited.

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

Management Response:

Chairman of the Board of County Commissioners: I will make sure all expenditures are supported by adequate documentation and are encumbered prior to receiving goods or services. All issues noted in the finding within the disbursement process will be discussed in an officers' meetings.

County Clerk: The County Clerk's office will require that all purchase orders have the appropriate supporting documentation attached. All purchase orders that are state contract will not be paid until a copy of the State contract is attached. The issue of receiving goods or services before encumbering a purchase order, except in emergency, will be discussed during an internal control meeting. This step will remove the

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possibility of error of the incorrect vendor being chosen. The County Clerk's office has a "Voided Warrant" binder that has an example of what a correctly defaced warrant should look like, if the warrant does not look like the example it is stated to make the corrections, then place the voided warrant in the binder. The County Clerk's office has been in contact with our software provider concerning pop-up boxes that would inform the user that a field has not been completed concerning the entering of a new vendor; if both fields are not filled out then the warrants will be printed without a vendor in the pay to field. Until this can be accomplished by the programmers, the employee entering the new vendor will need to complete both fields by having another employee verify that this action has been completed. The County Clerk's office will make better effort to ensure that all purchase orders are filed in the vault after being signed and stamped. The County Clerk's office has been informed by our software provider that there are fields that will allow invoice numbers to be entered. The Clerk's office will begin utilizing this field; this will have a pop-up window that will inform the Purchasing Agent if that invoice has been attached to a paid purchase order. This will ensure that invoices will only be paid once. It has been stated to all offices that correction fluid is no longer to be used on any paperwork concerning purchase orders or payroll. Any errors that occur are to be struck through and accompanied with that person's initials. The County Clerk's office will continue to have the enrolling/removing employees, maintaining personnel files, reviewing time records, and preparing payroll to be segregated. Steps are being taken to ensure that one employee is not completing all steps.

Criteria: The GAO Standards – Section 2 – Establishing an Effective Internal Control System – OV2.23 states in part:

Objectives of an Entity – Compliance Objectives

Management conducts activities in accordance with applicable laws and regulations. As part of specifying compliance objectives, the entity determines which laws and regulations apply to the entity. Management is expected to set objectives that incorporate these requirements.

Additionally, GAO Standards – Principle 6 – Define Objectives and Risk Tolerances – 6.05 states:

Definitions of Objectives

Management considers external requirements and internal expectations when defining objectives to enable the design of internal control. Legislators, regulators, and standard-setting bodies set external requirements by establishing the laws, regulations, and standards with which the entity is required to comply. Management identifies, understands, and incorporates these requirements into the entity's objectives. Management sets internal expectations and requirements through the established standards of conduct, oversight structure, organizational structure, and expectations of competence as part of the control environment.

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

Segregation of Duties

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

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

Additionally, Principle 10 – Segregation of Duties states:

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

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

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

Further, effective internal controls require that management properly implement procedures to ensure that expenditures comply with 19 O.S. § 1505.

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

Finding 2021-003 – Lack of Internal Controls and Noncompliance Over Acceptance of Bids and Bidding Procedures (Repeat Finding – 2020-003)

Condition: Based on inquiry of County officials and staff, observation of the bidding process, and review of the Board of County Commissioners’ minutes, a test of five (5) bids reflected the following:

- Three (3) bids had no evidence of notifying the successful bidders.
- One (1) 6 month bid was awarded to several bidders for one bid item.
- One (1) 6 month bid had nine (9) bid packets returned to sender due to incorrect addresses.
- One (1) large purchase in the amount of \$31,142 could not be determined if it was bid.
- One (1) large purchase in the amount of \$15,980 was not bid.

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Cause of Condition: Policies and procedures have not been designed and implemented to ensure compliance with 19 O.S. § 1505.

Effect of Condition: These conditions resulted in noncompliance with state statutes regarding the solicitation and awarding of bids. These conditions could result in the County not awarding to the lowest and best acceptable bid.

Recommendation: OSAI recommends the County design and implement policies and procedures to ensure that bids are solicited and awarded in accordance with state statutes.

Management Response:

Chairman of the Board of County Commissioners: For 6 month bids, we will discuss how each district should select one vendor per product as the best and lowest bidder. I will discuss the other bid issues in our officer meeting and develop a policy to resolve these issues.

County Clerk: The County Clerk's office will notify the successful bidders by mailing a "Thank-you" letter, along with a copy of the tally sheet(s) that are approved and signed by the County Commissioners. A copy of the "Thank-you" letter will be placed in the bid folder. The County Clerk's office will require that supporting documentation will accompany each purchase order (State Contract if applicable) otherwise the item will be sent out for bid.

Criteria: GAO Standards – Principle 6 – Defined Objectives and Risk Tolerances – 6.05 states:

Definitions of Objectives

Management considers external requirements and internal expectations when defining objectives to enable the design of internal control. Legislators, regulators, and standard-setting bodies set external requirements by establishing the laws, regulations, and standards with which the entity is required to comply. Management identifies, understands, and incorporates these requirements into the entity's objectives. Management sets internal expectations and requirements through the established standards of conduct, oversight structure, organizational structure, and expectations of competence as part of the control environment.

Effective internal controls require that management properly implement procedures to ensure that bidding processes comply with 19 O.S. § 1505.

Finding 2021-005 – Lack of Internal Controls and Noncompliance Over the Inmate Trust Fund Checking Account, Sheriff Commissary, and Sheriff Commissary Fund (Repeat Finding 2020-005)

Condition: Upon inquiry and review over the Inmate Trust Fund Checking Account and the Sheriff Commissary Fund, the following weaknesses were noted:

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Inmate Trust Fund Checking Account:

- Although bank reconciliations were performed at June 30, there was an unknown variance of \$3,963 between the bank's balance and the ledger balance.
- The County Sheriff's office does not track or maintain records for unclaimed funds.
- An Inmate Ledger could not be obtained.

Sheriff Commissary:

- Inventory of sodas for the Canteen Commissary is not being maintained.

Sheriff Commissary Fund:

- The County Sheriff's office does not file an annual report for the Sheriff Commissary Fund with the Board of County Commissioners by January 15th.
- The Sheriff Commissary Report's beginning and ending balances do not reconcile with the County Treasurer's balances.

Cause of Condition: Policies and procedures have not been designed and implemented to strengthen internal controls and monitor Inmate Trust Fund Checking Account, Sheriff Commissary, and Sheriff Commissary Fund.

Effect of Condition: These conditions resulted in noncompliance with state statutes and could result in misappropriation of funds, inaccurate records, and incomplete information.

Recommendation: OSAI recommends the following:

- All variances noted during the reconciliation of the Inmate Trust Fund Checking Account should be identified.
- Create a policy to track and maintain records for unclaimed inmate funds.
- An inventory of sodas should be maintained and reviewed and approved by someone other than the preparer.
- The County Sheriff should file a report of the commissary with the County Commissioners by January 15th, of each year in accordance with Title 19 O.S. § 180.43.
- The beginning and ending balances of the annual commissary report should agree to the balances on the County Treasurer's general ledger.

Management Response:

Chairman of the Board of County Commissioners: I will encourage our new County Sheriff to develop policies and procedures to ensure the inmate trust bank statement is reconciled to inmate ledgers monthly, unclaimed funds are tracked, and records maintained, an annual report for the County Sheriff's commissary is filed by January 15 each year, and the annual report of the County Sheriff's commissary agrees to the County Treasurer's balance.

County Sheriff: We are looking into these matters and working on fixing the errors. We will do all we can to get these issue resolved as soon as possible.

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Criteria: The GAO Standards – Principle 16 – Perform Monitoring Activities – 16.05 states in part:

Internal Control System Monitoring

Management performs ongoing monitoring of the design and operating effectiveness of the internal control system as part of the normal course of operations. Ongoing monitoring includes regular management and supervisory activities, comparisons, reconciliations and other routine actions.

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.”

Further, Title 22 O.S. § 1325(F, H) prescribes the procedures for unclaimed funds.

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



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