



CLEVELAND COUNTY

Financial Audit

For the fiscal year ended June 30, 2020

Cindy Byrd, CPA
State Auditor & Inspector

**CLEVELAND COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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Cindy Byrd, CPA | State Auditor & Inspector

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February 1, 2022

TO THE CITIZENS OF
CLEVELAND COUNTY, OKLAHOMA

Transmitted herewith is the audit of Cleveland County, Oklahoma for the fiscal year ended June 30, 2020. 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,

A handwritten signature in blue ink that reads "Cindy Byrd".

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



**CLEVELAND COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Board of County Commissioners

District 1 – Rod Cleveland
District 2 – Darry Stacy
District 3 – Harold Haralson

County Assessor

Doug Warr

County Clerk

Tammy Belinson

County Sheriff

Blake Green

County Treasurer

Jim Reynolds

Court Clerk

Marilyn Williams

District Attorney

Greg Mashburn

**CLEVELAND COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

TABLE OF CONTENTS

FINANCIAL SECTION

Report of State Auditor and Inspector	1
Financial Statement:	
Statement of Receipts, Disbursements, and Changes in Cash Balances—Regulatory Basis (with Combining Information).....	4
Notes to the Financial Statement	5

SUPPLEMENTARY INFORMATION

Comparative Schedule of Expenditures—Budget and Actual—Budgetary Basis—General Fund.....	11
Comparative Schedule of Expenditures—Budget and Actual—Budgetary Basis—Health Fund.....	12
Note to Supplementary Information	13

INTERNAL CONTROL AND COMPLIANCE SECTION

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	14
Schedule of Findings and Responses	16

FINANCIAL SECTION

Independent Auditor's Report

TO THE OFFICERS OF
CLEVELAND 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 Cleveland County, Oklahoma, as of and for the year ended June 30, 2020, 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 Cleveland 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 Cleveland County as of June 30, 2020, 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 Cleveland County, for the year ended June 30, 2020, in accordance with the basis of accounting described in Note 1.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the combined total of all county funds on the financial statement. The 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 January 27, 2022, on our consideration of Cleveland 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 Cleveland County's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Cindy Byrd". The signature is written in a cursive, flowing style.

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

January 27, 2022

REGULATORY BASIS FINANCIAL STATEMENT

CLEVELAND COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS
(WITH COMBINING INFORMATION)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Beginning Cash Balances July 1, 2019	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2020
Combining Information:						
County General Fund	\$ 23,387,044	\$ 29,198,763	\$ -	\$ -	\$ 27,685,554	\$ 24,900,253
County Highway Fund	7,665,404	8,194,635	-	31,637	6,817,431	9,010,971
County Health	8,689,575	6,021,685	-	-	4,441,356	10,269,904
County Assessor Revolving	21,058	4,524	-	-	-	25,582
Bridge Capital Improvement Fund	-	1,199	213,094	-	-	214,293
County Clerk Lien Fee	229,317	107,620	-	-	44,219	292,718
County Commissioners Building Fund	702,323	3,631	-	-	-	705,954
Commissioners Fairground Capital Improvement	-	1,500,000	-	-	27,246	1,472,754
County Bridge and Road Improvement Fund	4,144,616	1,341,348	31,637	213,094	1,731,715	3,572,792
County Clerk Preservation	362,522	459,967	-	-	410,446	412,043
District Attorney Incarceration Costs	8,158	6,609	-	-	10,546	4,221
Fairgrounds	892,213	275,084	-	-	194,662	972,635
Sheriff Commissary	348,946	263,705	-	350,000	164,525	98,126
Sheriff Jail Fund	87,126	4,822	-	31,600	4,803	55,545
Local Emergency Planning Fund	17,626	3,227	-	-	2,387	18,466
Cleveland County Anna McBride Court	35,338	93,049	-	-	78,209	50,178
Resale Property	2,924,042	2,037,538	-	-	3,219,291	1,742,289
Sales Tax	839,977	9,427,219	-	-	9,983,035	284,161
Sheriff Federal Share Revenue	-	16,057	-	-	3,349	12,708
Sheriff Justice Assistance Grant	22,355	26,616	-	-	21,465	27,506
Sheriff Service Fee	2,289,958	1,421,662	359,925	-	859,338	3,212,207
Sheriff Special Revenue Fund	-	2,160,000	21,675	-	2,180,312	1,363
County Sinking	1,362	7	-	-	-	1,369
County Treasurer Certification Fee	593,332	58,140	-	-	11,317	640,155
Wellness Committee Donations	400	-	-	-	-	400
Combined Total - All County Funds	\$ 53,262,692	\$ 62,627,107	\$ 626,331	\$ 626,331	\$ 57,891,206	\$ 57,998,593

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

**CLEVELAND COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

B. Fund Accounting

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

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

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

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

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

County Assessor Revolving – accounts for the collection of fees for copies restricted by state statute.

Bridge Capital Improvement Fund – accounts for state monies received for the construction and/or improvements of bridges within the County.

**CLEVELAND COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

County Clerk Lien Fee – accounts for lien collections and disbursements as restricted by state statute.

County Commissioners Building Fund – accounts for proceeds from the sale of county-owned real estate.

Commissioners Fairground Capital Improvement – accounts for proceeds for Fairground Expansion Project.

County Bridge and Road Improvement Fund – accounts for monies collected by the state to improve county roads and bridges.

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

District Attorney Incarceration Costs – accounts for the collection of incarceration fees assessed as court costs and collected by the Court Clerk. Disbursements are for the lawful operation of the office.

Fairgrounds – accounts for the receipt of revenue generated from building rent, booth rental, and other fees. Disbursements are for the operation of the fairgrounds.

Sheriff Commissary – accounts for monies received from commissary sales and disbursements of funds as restricted by state statute.

Sheriff Jail Fund – accounts for jail bond fees received from the Court Clerk and disbursed for the operation of the jail.

Local Emergency Planning Fund – accounts for grant monies received and disbursed as restricted by the grant agreement.

Cleveland County Anna McBride Court – accounts for grant monies received and disbursed as restricted by the grant agreement.

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

Sales Tax – accounts for the collection of county sales tax to be disbursed as outlined by the sales tax ballot.

Sheriff Federal Share Revenue – accounts for the collection of a percentage of seized assets and disbursed for law enforcement purposes.

**CLEVELAND COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Sheriff Justice Assistance Grant – accounts for grant monies received and disbursed as restricted by the grant agreements.

Sheriff Service Fee – accounts for the collection and disbursement of sheriff process service fees, Court Clerk fees, and contract revenues related to the boarding of prisoners. Disbursements are restricted by state statute.

Sheriff Special Revenue Fund – accounts for monies received and disbursed for the operation of the Jail.

County Sinking – accounts for the payment of interest and principal on the matured portion of long-term bonded debt and civil judgments.

County Treasurer Certification Fee – accounts for the collection of fees by the County Treasurer for mortgage tax certification and disbursements as restricted by state statute.

Wellness Committee Donations – accounts for donation made to the Wellness Committee and disbursements are for equipment for the Wellness Center.

C. Basis of Accounting

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

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

D. Budget

Under current Oklahoma Statutes, a general fund and a county health department fund are the only funds required to adopt a formal budget. On or before May 31 of each year, each officer or department head submits an estimate of needs (budget) to the governing body. The budget is

**CLEVELAND COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

approved for the respective fund by office, or department and object. Within weeks, the County Budget Board may approve changes of appropriations within the fund by office or department and object.

E. Cash and Investments

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

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

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

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

2. Ad Valorem Tax

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

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

**CLEVELAND COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

3. Other Information

A. Pension Plan

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

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

B. Other Post Employment Benefits (OPEB)

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

C. Contingent Liabilities

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

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

**CLEVELAND COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

D. Sales Tax

Sales Tax of December 9, 2008

On December 9, 2008 the voters of Cleveland County approved a one-fourth of one percent (1/4) sales tax on gross receipts or proceeds on certain sales, to terminate at twenty (20) years from the effective date of the tax or at the date of retirement of any debt incurred related thereto, whichever occurs earlier. Such tax is to be used for design, construction, financing, furnishings, capital facilities and improvements, equipment, fixtures, site preparation, street improvements, and continuing maintenance and operation expenses for a new Cleveland County Detention Facility to be located in Cleveland County; authorizes the pledging of the sales tax for debt service; determining an effective date; making provisions severable; and declaring an emergency. This sales tax ended May 2020. These funds are accounted for in the Sales Tax fund.

Sales Tax of November 12, 2019

On November 12, 2019, the voters of Cleveland County approved a new sales tax, with no Cleveland County sales tax increase, effective April 1, 2020, one-eighth of one percent (1/8%) sales tax on gross receipts or proceeds of certain taxable sales within Cleveland County; for a twenty (20) year term; the proceeds of said tax to be utilized for the funding of the following County Public Safety services: operations, programs, equipping, maintenance, repairs and renovations, as necessary, to the Cleveland County Justice Facility, including renovations or new construction, construction, maintenance, operations and programming for the Cleveland County Juvenile Detention facilities and Cleveland County sobering facilities as approved by the Board of County Commissioners; salaries, staffing and training expenses for Cleveland County Sheriff's Deputies; providing grants to fire departments and other emergency responders serving Cleveland County as approved by the Board of County Commissioners; providing funds to the emergency management systems serving Cleveland County; authorizing the pledging of the sales tax debt service on any financing and cost of issuance on public safety facilities. These funds are accounted for in the Sales Tax fund.

E. Interfund Transfers

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

- \$31,637 was transferred from the County Highway Fund to County Bridge and Road Improvement Fund to fund a county road project.
- \$350,000 was transferred from the Sheriff Commissary fund to Sheriff Service Fee fund to purchase capital equipment for the Sheriff's office.
- \$9,925 was transferred from the Sheriff Jail Fund to the Sheriff Service Fee fund to correct a prior year apportionment error.
- \$21,675 was transferred from the Sheriff Jail Fund to Sheriff Special Revenue Fund to correct a prior year apportionment error.
- \$213,094 was transferred from County Bridge and Road Improvement Fund to create the Bridge Capital Improvement Fund.

SUPPLEMENTARY INFORMATION

CLEVELAND COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—
BUDGETARY BASIS—GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	General Fund		
	Budget	Actual	Variance
District Attorney - County	\$ 32,327	\$ 30,536	\$ 1,791
County Sheriff	10,926,890	10,849,336	77,553
County Treasurer	1,426,073	1,361,342	64,732
County Commissioners	1,226,134	938,337	287,797
County Commissioners O.S.U. Extension	427,318	324,051	103,267
County Clerk	1,576,813	1,500,566	76,247
Court Clerk	2,082,622	1,929,227	153,395
County Assessor	1,081,143	1,073,424	7,719
Revaluation of Real Property	1,180,461	1,175,622	4,839
District Court	154,145	165,012	(10,867)
General Government	3,534,961	2,966,771	568,190
Excise - Equalization Board	6,500	4,037	2,463
County Election Expense	756,278	741,357	14,921
Insurance - Benefits	447,576	207,520	240,056
County Purchasing Agent	168,712	161,234	7,478
Emergency Management	266,214	192,380	73,834
Capital Improvements	17,335,511	42,653	17,292,858
Human Resources	197,514	185,223	12,291
Early Settlement	98,750	89,198	9,552
IT Department	539,046	448,854	90,192
Highway Budget Account	1,767,950	1,545,532	222,418
County Audit Budget Account	200,000	195,234	4,766
Free Fair Budget Account	81,500	81,482	18
Fairgrounds Budget Account	408,250	394,765	13,485
Building Maintenance	836,253	650,863	185,390
Other Use	2,763,591	-	2,763,591
Total Expenditures, Budgetary Basis	<u>\$ 49,522,532</u>	<u>\$ 27,254,556</u>	<u>\$ 22,267,976</u>

CLEVELAND COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—
BUDGETARY BASIS—HEALTH FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Health Fund		
	Budget	Actual	Variance
County Health Budget	\$ 13,497,293	\$ 5,642,569	\$ 7,854,724
Other Uses	595,851	-	595,851
Total Expenditures, Budgetary Basis	<u>\$ 14,093,144</u>	<u>\$ 5,642,569</u>	<u>\$ 8,450,575</u>

**CLEVELAND COUNTY, OKLAHOMA
NOTE TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

1. Budgetary Schedules

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

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

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
CLEVELAND COUNTY, OKLAHOMA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined total—all funds of the accompanying Statement of Receipts, Disbursements, and Changes in Cash Balances (with Combining Information) of Cleveland County, Oklahoma, as of and for the year ended June 30, 2020, and the related notes to the financial statement, which collectively comprises Cleveland County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated January 27, 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 for the year ended June 30, 2020, 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 Cleveland County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of Cleveland County's internal control. Accordingly, we do not express an opinion on the effectiveness of Cleveland 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: 2020-002, 2020-003 and 2020-007.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cleveland County's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2020-007.

Cleveland County's Response to Findings

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

Purpose of this Report

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



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

January 27, 2022

**CLEVELAND COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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 2020-002 – Internal Controls Over the Reconciliation of Appropriation Ledger to the General Ledger

Condition: A monthly reconciliation is not being performed between the County Clerk’s appropriation ledger and the County Treasurer’s general ledger for all funds.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure the reconciliation of the County Clerk’s appropriation ledger to the County Treasurer’s general ledger is performed on a monthly basis for all funds.

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

Recommendation: The Oklahoma State Auditor & Inspector’s Office (OSAI) recommends management take steps to ensure reconciliations are performed between all funds presented on the County Clerk’s appropriation ledger and the County Treasurer’s general ledger on a monthly basis. Documentation of this reconciliation should be reviewed and approved by someone other than the preparer.

Management Response:

County Treasurer: The County converted to a new financial system in July 2019. The ability to reconcile our books with the County Clerk was hampered due to the conversion. Our office retired that financial system and converted to a new financial system July 2021. Going forward, we will reconcile with the County Clerk monthly.

County Clerk: Management acknowledges the validity of this finding dating back to the former accounting system conversion, which became effective July 1, 2019. Management commits to retroactively performing this reconciliation on a monthly basis beginning July 1, 2019, to present. This reconciliation will be documented on the form approved for our use by OSAI and will be reviewed and approved by the County Clerk. Furthermore, management commits to documenting policies and procedures governing this task on a go-forward basis in order to ensure timely and accurate completion of this reconciliation, along with supervisory review and approval, by the 20th day following the previous month-end.

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 quasigovernmental entities.

**CLEVELAND COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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.

Finding 2020-003 - Lack of Internal Controls Over the Monthly Reports and Bank Reconciliations

Condition: During the audit, the following was noted:

- Monthly bank reconciliations for the General and Official Depository bank accounts are not being completed in a timely manner.
- The County Treasurer’s monthly reports were not being submitted to OSAI in a timely manner.

Cause of Condition: Although policies and procedures have been designed and implemented, they are not functioning properly to ensure that bank reconciliations and the County Treasurer’s monthly reports are being submitted timely to OSAI.

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

Recommendation: OSAI recommends that the County Treasurer ensure that bank reconciliations and County Treasurer’s monthly reports are timely submitted each month.

Management Response:

County Treasurer: The County converted to a new financial system in July 2019. We retired that financial system and converted to a new financial system July 2021. This issue will be resolved with the new system in place.

Criteria: The GAO Standards - Principle 13 – Use of Quality Information - Section 13.04 states in part:

Relevant data from reliable sources for review or reconciliations

“Management obtains relevant data from reliable internal and external sources in a timely manner based on the identified information requirements. Relevant data have a logical connection with, or bearing upon, the identified information requirements. Reliable internal and external sources provide data that are reasonably free from error and bias and faithfully represent what they purport to represent. Management evaluates both internal and external sources of data for reliability. Sources of data can be operational, financial, or compliance related. Management obtains data on a timely basis so that they can be used for effective monitoring.”

**CLEVELAND COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Finding 2020-007 – Lack of Internal Controls and Noncompliance Over Disbursements Process

Condition: During our test of thirty-five (35) disbursements, the following was noted:

- Five (5) disbursements were not timely encumbered which totaled \$1,095,355.

During our test of twenty-five (25) P-Card disbursements, the following was noted:

- Five (5) transactions were not timely encumbered which totaled of \$2,322.

Cause of Condition: Policies and procedures have not been designed and implemented regarding the disbursement process to strengthen internal controls and ensure 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/or misappropriation of funds.

Recommendation: OSAI recommends the County design and implement internal control procedures to ensure compliance with purchasing guidelines. All purchases should be properly requisitioned and encumbered.

Management Response:

District 1 Commissioner: The issue has been corrected and steps will be taken in the future to ensure that funds are timely encumbered.

County Clerk: The County Clerk's Office, Accounts Payable Department, will continue to ensure non-compliant purchase orders will be stamped "non-compliant" and added to the Commissioner's Non-Compliant list.

County Assessor: Two P-Card transactions occurred before funds were requisitioned. We are installing better procedures to help resolve this issue in the future.

County Court Clerk: When a purchase is going to be made, I will have my 2nd Deputy verify that a requisition has been placed prior to the ordering of any materials.

County Sheriff: I will work with staff to guarantee all procedures are properly followed to ensure compliance with purchasing guidelines.

County Health Department: Although we did have these purchase orders (POs) in place in time, we had selected the incorrect *Oklahoma State Department of Health* (OSDH) vendor in the financial system. This was the first year using this financial system and when the Requisition Officer originally selected the vendor, there were multiple OSDH vendors, and she selected an incorrect one. When these POs in question were re-issued with the correct vendor, she did refer back to those original POs to document what happened. Moving forward, this has not been a problem.

**CLEVELAND COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

Design of Appropriate Types of Control Objectives

“Management establishes physical control to secure and safeguard vulnerable assets. Examples include security for and limited access to assets such as cash, securities, inventories, and equipment that might be vulnerable to risk of loss or unauthorized use. Management periodically counts and compares such assets to control records.”

Additionally, Section 2 – Establishing and Effective Internal Control System – OV2.24states in part:

Safeguarding of Assets

“Management designs an internal control system to provide reasonable assurance regarding prevention or prompt detection and correction of unauthorized acquisition, use, or disposition of an entity’s assets.”

Title 19 O.S. § 1505 prescribes the procedures for requisition, purchase, and receipt of supplies, material, and equipment.



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