



CLEVELAND COUNTY

Financial Audit

For the fiscal year ended June 30, 2015

Cindy Byrd, CPA
State Auditor & Inspector

**CLEVELAND COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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Cindy Byrd, CPA | State Auditor & Inspector

2300 N. Lincoln Blvd., Room 123, Oklahoma City, OK 73105 | 405.521.3495 | www.sai.ok.gov

May 30, 2019

TO THE CITIZENS OF
CLEVELAND COUNTY, OKLAHOMA

Transmitted herewith is the audit of Cleveland County, Oklahoma for the fiscal year ended June 30, 2015. The audit was conducted in accordance with 19 O.S. § 171.

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

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

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

Sincerely,

A handwritten signature in blue ink that reads "Cindy Byrd". The signature is fluid and cursive, with the first letters of the first and last names being capitalized.

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



**CLEVELAND COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Board of County Commissioners

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

County Assessor

David Tinsley

County Clerk

Tammy Belinson

County Sheriff

Joe Lester

County Treasurer

Jim Reynolds

Court Clerk

Rhonda Hall

District Attorney

Greg Mashburn

**CLEVELAND COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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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, 2015, 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, 2015, 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, 2015, in accordance with the basis of accounting described in Note 1.

Other Matters

Supplementary and Other Information

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

The other supplementary information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other 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 May 28, 2019, 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 style with a large initial "C" and a stylized "Byrd".

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

May 28, 2019

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, 2015

	Beginning Cash Balances July 1, 2014	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2015
Combining Information:						
County General Fund	\$ 14,899,671	\$ 22,261,564	\$ -	\$ 4,000	\$ 20,719,793	\$ 16,437,442
County Highway Fund	7,826,311	6,576,211	-	-	6,175,815	8,226,707
County Health	7,416,045	5,151,009	-	-	3,772,577	8,794,477
Resale Property	4,203,565	1,246,234	-	-	1,935,856	3,513,943
Sheriff Service Fee	1,062,140	772,443	-	-	670,045	1,164,538
Sheriff Revolving	1,128,728	796,835	-	-	1,613,849	311,714
County Treasurer Certification Fee	438,382	55,350	-	-	10,299	483,433
County Clerk Lien Fee	225,057	59,123	-	-	4,109	280,071
County Clerk Preservation	909,753	316,904	-	-	378,362	848,295
Bridge Capital Improvement Fund	209,491	347	-	-	-	209,838
County Sheriff Courthouse Security Service Fee	8,770	43,878	-	-	48,814	3,834
Sales Tax	702,034	8,640,012	-	-	8,638,302	703,744
Cleveland County Justice Center	147,402	2,223,488	-	-	2,030,056	340,834
Highway Community Service	5,170	-	-	-	4,653	517
Sheriff Drug Fund	8,620	-	-	-	-	8,620
Sheriff Environmental Award	7,192	592	-	-	-	7,784
Sheriff Jail Fund	175,917	90,088	-	-	193,636	72,369
Sheriff Commissary	230,789	281,791	-	-	214,421	298,159
Sheriff Federal Share Revenue	32,132	64	-	-	-	32,196
Sheriff Donations	9,129	29,761	-	-	37,287	1,603
Sheriff Justice Assistance Grant	279	-	-	-	-	279
Sheriff Property Forfeiture	83,180	4,163	-	-	7,899	79,444
County Commissioner Building Fund	728,370	1,395	-	-	36,739	693,026
County Assessor Revolving	6,872	3,418	-	-	6,878	3,412
Child Abuse Prevention	10,425	722	-	-	-	11,147
Saferoom FEMA Grant	4,360	-	-	-	1,571	2,789
Sheriff Criminal Alien Assistance Grant	7,633	10,923	-	-	17,880	676
Local Emergency Planning Committee	23,142	1,000	-	-	-	24,142
County Fair Board	269,678	318,731	-	-	161,502	426,907
County Sinking	1,338	5	-	-	-	1,343
District Attorney Incarceration Costs	7,229	7,554	-	-	-	14,783
Hazard Mitigation Grant	2,339	-	-	-	-	2,339
Cleveland County Anna McBride Court	29,413	101,500	-	-	97,658	33,255
County Bridge and Road Improvement Fund	2,487,232	588,010	-	-	-	3,075,242
First Choice Recovery	1,570	1,000	-	-	1,700	870
S.T.O.P. Violence Against Women	5,099	30,676	-	-	22,990	12,785
Cleveland County Access to Recovery	462	-	-	-	-	462
Sheriff Mobile Command Center	107,491	-	-	-	51,380	56,111
Safe Room Grant	-	518,196	-	-	334,580	183,616
Early Settlement Fund	-	12,550	4,000	-	12,550	4,000
Oklahoma Bar Association Donations	-	6,300	-	-	6,300	-
Combined Total - All County Funds	\$ 43,422,410	\$ 50,151,837	\$ 4,000	\$ 4,000	\$ 47,207,501	\$ 46,366,746

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, 2015**

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.

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

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

**CLEVELAND COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Sheriff Revolving – accounts for collections received for reimbursement of salaries and housing prisoners.

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

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

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.

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

County Sheriff Courthouse Security Service Fee – accounts for fees received from the Court Clerk and disbursed for courthouse security.

Sales Tax – accounts for the collections of county sales tax to be disbursed in accordance with sales tax ballot.

Cleveland County Justice Center – accounts for monies received and disbursed for the operation of the Justice Center.

Highway Community Service – accounts for the collection of funding through the Oklahoma Department of Corrections and the disbursements are for administrative expenses and supervision of offenders.

Sheriff Drug Fund – accounts for the collection of the Sheriff's percentage of drug forfeitures and disbursements are restricted by state statute.

Sheriff Environmental Award – accounts for grant monies received and fines collected. Disbursements are restricted by grant agreement.

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

Sheriff Commissary – accounts for monies received from inmates for purchases from the County's commissary and disbursements as restricted by state statute.

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, 2015**

Sheriff Donations – accounts for donations made to the Sheriff’s office and disbursements can be used for the lawful operation of the office.

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

Sheriff Property Forfeiture – accounts for proceeds from property forfeitures and disbursements as restricted by state statute.

County Commissioner Building Fund – accounts for proceeds from the sale of county-owned real estate and disbursed as restricted by state statute.

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

Child Abuse Prevention – accounts for monies received from jury decisions to aid in the prevention of child abuse.

Saferoom FEMA Grant – accounts for grant monies received and disbursed as restricted by the grant agreement.

Sheriff Criminal Alien Assistance Grant – accounts for grant monies received and disbursed as restricted by the grant agreement.

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

County Fair Board – accounts for the collection of revenue generated from building rent, booth rental, and other fees. Disbursements are for the operation of the County Fair Board.

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

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.

Hazard Mitigation Grant – 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.

**CLEVELAND COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

First Choice Recovery – accounts for grant monies received and disbursed as restricted by the grant agreement.

S.T.O.P. Violence Against Women – accounts for federal grant funds passed through the District Attorney’s Council for the purpose of providing services to victims of domestic violence.

Cleveland County Access to Recovery – accounts for grant monies received and disbursed as restricted by the grant agreement.

Sheriff Mobile Command Center – accounts for donations received by Cleveland County Sheriff’s office to purchase a mobile command center for disasters.

Safe Room Grant – accounts for the receipt of grant monies in the form of reimbursements for safe rooms.

Early Settlement Fund – accounts for the receipt of salary reimbursements from the State of Oklahoma Supreme Court.

Oklahoma Bar Association Donations – accounts for the receipt of donations from the Oklahoma Bar Association for courthouse improvements.

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.

**CLEVELAND COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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 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

**CLEVELAND COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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; 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, 2015**

D. Sales Tax

On December 9, 2008 the voters of Cleveland County approved a one-fourth of one cent (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; authorizing the pledging of the sales tax for debt service; determining an effective date; making provisions severable; and declaring an emergency. These funds are accounted for in the Sales Tax fund.

E. Interfund Transfer

During the fiscal year, the County made the following transfer between funds:

- \$4,000 was transferred from County General Fund to create the Early Settlement Fund.

F. Special Items

Operational Audit

The State Auditor and Inspector's Office conducted an Operational Audit concerning the Cleveland County Sheriff's Office (CCSO) Operations for the period of July 1, 2011 through June 30, 2016. The audit request contained several objectives including determining the total funding available for the operation of CCSO which includes the F. Dewayne Beggs Detention Center (Jail). The report was released on September 11, 2017 and is located at www.sai.ok.gov.

OTHER SUPPLEMENTARY INFORMATION

CLEVELAND COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 14,899,671	\$ 14,899,671	\$ -
Less: Prior Year Outstanding Warrants	(301,124)	(301,124)	-
Less: Prior Year Encumbrances	(1,178,149)	(1,044,454)	133,695
Beginning Cash Balances, Budgetary Basis	13,420,398	13,554,093	133,695
 Total Receipts, Budgetary Basis	 22,960,788	 22,261,564	 (699,224)
Total Expenditures, Budgetary Basis	36,381,186	20,690,780	15,690,406
 Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	 \$ -	 15,124,877	 \$ 15,124,877
 Operating Transfers		(4,000)	
 Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		12,171	
Add: Current Year Outstanding Warrants		1,228,098	
Add: Current Year Encumbrances		76,296	
Ending Cash Balance		\$ 16,437,442	

**CLEVELAND COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
COUNTY HEALTH DEPARTMENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 7,416,045	\$ 7,416,045	\$ -
Less: Prior Year Outstanding Warrants	(312,323)	(312,323)	-
Less: Prior Year Encumbrances	(112,821)	(51,157)	61,664
Beginning Cash Balances, Budgetary Basis	<u>6,990,901</u>	<u>7,052,565</u>	<u>61,664</u>
 Total Receipts, Budgetary Basis	 <u>5,190,639</u>	 <u>5,151,009</u>	 <u>(39,630)</u>
 Total Expenditures, Budgetary Basis	 <u>12,181,540</u>	 <u>5,797,247</u>	 <u>6,384,293</u>
 Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	 <u>\$ -</u>	 6,406,327	 <u>\$ 6,406,327</u>
 Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		2,365,755	
Add: Current Year Outstanding Warrants		<u>22,395</u>	
Ending Cash Balance		<u>\$ 8,794,477</u>	

CLEVELAND COUNTY, OKLAHOMA
NOTE TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

1. Budgetary Schedules

The Comparative Schedules of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis for the General Fund and the County Health Department Fund present comparisons of the legally adopted budget with actual data. The "actual" data, as presented in the comparison of budget and actual, will differ from the data as presented in the 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 Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Cleveland County, Oklahoma, as of and for the year ended June 30, 2015, 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 May 28, 2019.

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, 2015, 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: 2015-001 and 2015-003.



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 matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2015-003.

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

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 responses were 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.

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



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

May 28, 2019

**CLEVELAND COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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 2015-001 Inadequate County-Wide Controls

Condition: Through the process of gaining an understanding of the County's internal control structure, it was noted that county-wide controls regarding 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 ensure that an adequate system of county-wide controls exists.

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 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 the County design monitoring procedures to assess the quality of performance over time. These procedures should be written policies and procedures and could be included in the County's policies and procedures handbook.

Management Response:

Chairman of the Board of County Commissioners: This finding is overly broad and vague. In response to this finding, Cleveland believes that internal controls are adequate. Furthermore, Cleveland County is in the process of implementing a new accounting system which will provide an additional layer of controls to the already existing internal controls.

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

The Control Environment sets the tone of an entity and influences the control consciousness of its people. The Control Environment is the foundation for all other components of internal control and provides structure and discipline. Among the important elements of the control environment are the attitude, awareness, and actions of management, as well as those charged with governance, concerning internal control.

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

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

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

Finding 2015-003 - Inadequate Internal Controls and Noncompliance Over Disbursements and Payroll

Condition: During observation and testwork, the following exceptions were noted:

- After the accrual of 480 hours of compensatory time, employees are not being paid a cash payment for overtime.
- Of the thirty-eight (38) disbursements tested, two (2) disbursements were not timely encumbered.

Cause of Condition: Policies and procedures have not been designed and implemented to strengthen internal controls over the disbursement process, nor to ensure that accruals do not exceed the limits designated by County policy.

Effect of Condition: These conditions resulted in noncompliance with state statute and county policy. These conditions could also result in unrecorded transactions, undetected errors, misappropriation of funds.

Recommendation: OSAI recommends that the County implement internal control procedures to ensure compliance with state statute and county policy. Purchase orders should be encumbered before goods or services are ordered in accordance with 19 O.S. § 1505C and compensatory time limits should be enforced to ensure compliance with County policy.

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Management Response:

Chairman of the Board of County Commissioners: Monthly reports with compensatory balances are provided to each county officer on a monthly basis. Furthermore, compensation time is frequently addressed at the Cleveland County Budget Board monthly meetings. Each elected officer strives to effectively manage compensatory overtime; however, in certain departments inadequate staffing, emergencies and other unforeseen circumstances require employees to incur compensatory time in order to adequately serve the needs of Cleveland County.

County Clerk: The purchase orders that were not timely encumbered were stamped “exception” during the review process. Also, blanket purchase orders would help with pre-encumbering prior to an order being placed and invoiced.

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

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

County policy states:

“In the case of law enforcement personnel who are not exempt. Each employee can accumulate up to 480 hours of compensatory time off. After the accrual of 480 hours of compensatory time, a law enforcement employee will thereafter be paid cash payment for compensatory time earned. In all cases where compensatory time off is authorized, once the employee has utilized compensatory time off to reduce the maximum accrual below the applicable limit, then additional overtime will be paid in the form of additional compensatory time off.”

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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 2015-005 - Inadequate Internal Controls Over the Schedule of Expenditures of Federal Awards

Condition: The County failed to prepare a Schedule of Expenditures of Federal Awards (SEFA) even though their accounting records indicate the following federal funds were expended:

- CFDA #15.226 Payments in Lieu of Taxes - \$33,108.
- CFDA #16.588 Violence Against Women Formula Grants - \$30,649.
- CFDA #16.606 State Criminal Alien Assistance Program - \$17,880.
- CFDA #97.036 Disaster Grants – Public Assistance (Presidentially Declared Disasters) - \$47,414.
- CFDA #97.046 – Fire Management Assistance Grant - \$5,619.

These errors resulted in the SEFA being understated by \$134,670.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure compliance with grant requirements and proper reporting of federal grant expenditures.

Effect of Condition: This condition resulted in noncompliance with OMB Circular A-133 grant guidelines.

Recommendation: OSAI recommends the County establish internal controls to ensure all federal awards are properly accounted for and correctly reported on the SEFA.

Management Response:

Chairman, Board of County Commissioners: Cleveland County has purchased a new financial system which included the SEFA Module. This system will build the report as transactions occur during the fiscal year.

County Treasurer and County Clerk: We are putting together a common list that every department will utilize. This system will require all departments to use the same transaction codes creating uniformity throughout the County.

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

Subpart C—Auditees

§___.300 Auditee responsibilities.

The auditee shall:

- (a) Identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received.

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

OMB Circular A-133 § .310 (b) states in part that the auditee shall:

Prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements... At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency.
- (2) For Federal awards received as a sub recipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to sub recipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule.

Further, accountability and stewardship should be overall goals in management's accounting of federal funds. Internal controls should be designed and implemented to monitor compliance with laws and regulations pertaining to grant contracts. To help ensure a proper accounting of funds, an accurate record of federal expenditures should be maintained.

Finding 2015-006 - Inadequate Internal Controls and Noncompliance Over Inmate Trust Fund Checking Account and Sheriff Commissary Fund (Repeat Finding)

Condition: We noted the following weaknesses/ deficiencies regarding the Inmate Trust Fund Checking Account and Sheriff Commissary Fund:

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- Jail bookkeeping personnel does not understand all aspects of the Inmate Trust Fund Checking Account reconciliation process; allowing the inmate trust financial system vendor to adjust and make reconciling items to the monthly reconciliation.
- One employee receipts monies, prepares deposits, posts deposits, controls bank statements, prepares disbursements, prints checks, has administrative rights to software program, and performs the reconciliation for the Inmate Trust Fund Checking Account.
- Bank reconciliations are not timely performed and the inmate trust ledgers have not been reconciled to the bank account. Additionally, as of January 31, 2017 the Inmate Trust Fund Checking Account had an insufficient fund balance of \$16,499 and as of March 21, 2017 had an insufficient fund balance of \$20,829 after changing bank accounts due to new commissary vendor.
- Upon further review of the Inmate Trust Fund the following was noted:
 - There is no policy or procedure regarding unclaimed funds.
 - Inmate trust fund ledger indicated released inmates still had a balance on the ledger even though a check cleared the bank.
 - Journal entries are used when bank statements are being reconciled for unknown variances and without verifying the amount to the Inmate Trust Fund Ledger.
- Collections were not deposited into the Inmate Trust Fund Checking Account daily.
- Out of 100% of disbursements tested for FY 15:
 - Two (2) checks only had one signature.
 - Two (2) checks were written to someone other than the inmate or Commissary Fund.
 - Two (2) checks written to the Cleveland County Sheriff's Office could not be traced to a deposit within the Commissary Fund or Sheriff's Service Fees for a total of \$200 which cleared the bank.
 - Disbursements issued by debit cards are not monitored, they can be authorized by one employee, all employees have authority to issue cards, and debit card transactions are not reviewed or reconciled to the inmate trust ledgers.
- 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 of each year.

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

Effect of Condition: These conditions resulted in noncompliance with state statutes and an insufficient fund balance within the Inmate Trust Fund Checking Account. In addition, without proper accounting and safeguarding of the Inmate Trust Fund Checking Account and the Sheriff Commissary Fund, there is an increased risk of misappropriation of funds.

Recommendation: OSAI recommends the following:

- Key duties and responsibilities should be segregated among different individuals to reduce the risk of error or fraud. No one individual should have the ability to authorize transactions, have physical custody of assets, and record transactions.
- Inmate Trust Fund Checking Account monies should be maintained in a manner that reflects each inmate's trust deposits, disbursements, and account balances. The inmates' trust fund balances

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should be reconciled to the bank statements each month. The inmate trust financial system vendor should not have authority to adjust or change the monthly reconciliation.

- Bank reconciliations should be performed on a monthly basis.
- Procedures should be developed for unclaimed inmate funds that are outstanding more than six (6) months.
- All collections should be deposited daily.
- All checks from the Inmate Trust Fund Checking Account must have two (2) authorized signatures.
- Expenditures are to be made from the Inmate Trust Fund Checking Account in accordance with Title 19 O.S. § 531 A.
- The 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. § 180.43D.

Management Response:

County Sheriff: The circumstances surrounding this finding were in place under a previous administration and current leadership at the Sheriff's Office had no involvement or knowledge of improper or inadequate behaviors or procedures. The new administration has hired an accountant to provide better oversight to the fiscal process and financial aspects of the organization. The monthly reports are currently being reviewed and all appropriate accounts and budgetary required information will be reflected on the monthly reports.

Inmate Trust Fund issues occurring under the former administrations oversight have been identified. The new leadership worked with the District Attorney's Office, State Auditor's Office, and the Board of County Commissioners (BOCC) to correct previous administration deficiencies. Bondsmen and attorneys are no longer issued checks, the insufficient balance has been satisfied and made whole, internal controls have been put in place for continued review of checking accounts. Various oversight procedures and internal controls have been established to maintain integrity as related to the Inmate Trust Fund.

Criteria: Effective accounting procedures and internal controls are necessary to ensure stewardship and accountability of public funds. Safeguarding controls are an important aspect of internal controls. Safeguarding controls relate to the prevention or timely detection of unauthorized transaction and unauthorized access to assets. Failure to perform tasks that are part of internal controls, such as reconciliations not performed or not timely prepared, are deficiencies in internal control. Further, reconciliations should be performed on a monthly basis.

Effective internal controls should provide procedures wherein receipts for the monies collected are maintained and available for inspection and deposits are made on a daily basis.

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

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Title 19 O.S. § 180.43 D. states in part, “Any funds received pursuant to said operations shall be the funds of the county where the persons are incarcerated and shall be deposited in the Sheriff’s Commissary Account. The sheriff shall be permitted to expend the funds to improve or provide jail services. The sheriff shall be permitted to expend any surplus in the Sheriff’s Commissary Account for administering expenses for training equipment, travel or for capital expenditures. The claims for expenses shall be filed with and allowed by the board of county commissioners in the same manner as other claims. The Sheriff shall receive no compensation for the operation of said commissary. The sheriff shall file an annual report on any said commissary under his or her operation no later than January 15 of each year.”

Title 22 O.S. § 1325(F, H) outlines the procedures for handling unclaimed property.

Finding 2015-007 – Inadequate Internal Controls Over Court Clerk Expenditures and Reporting Process

Condition: Upon inquiry of the Court Clerk employees, observation and test of records, the following was noted:

Court Fund:

- The test of twenty-five (25) Court Fund claims reflected:
 - One (1) claim did not have approval of the majority of the Court Fund Board.
 - One (1) claim did not have sufficient information to determine mathematical accuracy.
 - One (1) claim did not have any supporting documentation.

Revolving Fund:

- One (1) of the ten (10) claims tested had not been approved by the Court Clerk and either the District or Associate District Judge.

District Court Receipts:

- Eight (8) of the twenty-five (25) voided receipts tested, the original copy was not retained.

Quarterly Reports:

- The original signed quarterly reports are not being maintained therefore, we were unable to view all of the signed original reports to determine if they were reviewed by someone other than the preparer.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure that claims are properly approved and/or voided, and that quarterly reports are maintained and reviewed by someone other than the preparer.

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.

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Recommendation: OSAI recommends payment of expense be made only after the claim is approved by the governing board. OSAI also recommends that original voided receipts and quarterly reports be retained and the quarterly reports be signed and reviewed by someone other than the preparer.

Management Response:

Court Clerk: These findings occurred during a prior administration. Corrective action has been taken by the Cleveland County Court Clerk's office. The court fund claims are now reviewed by the bookkeeper. To verify that all steps are followed, we will document on our receipts at the time the receipt is written if only one receipt is generated.

Criteria: Accountability and stewardship are over all goals of management in the accounting of funds. To help ensure a proper accounting of funds, proper authorizations should be obtained and key duties and responsibilities should be segregated among different individuals to reduce the risk of error or fraud. No one individual should have the ability to authorize transactions and acknowledge receipt of the goods or services.

Title 20 O.S. § 1304 states, "Claims against the court fund shall include only expenses lawfully incurred for the operation of the court in each county. Payment of the expenses may be made after the claim is approved by the district judge who is a member of the governing board of the court fund and either the local court clerk or the local associate district judge who is a member of the governing board."

Title 19 O.S. § 220A states, "Claims against the fund shall include only expenses incurred for the operations of the court clerk's office in each county, and payment may be made after the claim is approved by the court clerk and either the district or associate district judge of that county."



Cindy Byrd, CPA | State Auditor & Inspector

2300 N. Lincoln Blvd., Room 123, Oklahoma City, OK 73105 | 405.521.3495 | www.sai.ok.gov