



CLEVELAND COUNTY

Financial Audit

For the fiscal year ended June 30, 2016

Cindy Byrd, CPA
State Auditor & Inspector

**CLEVELAND COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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Cindy Byrd, CPA | State Auditor & Inspector

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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, 2016. The audit was conducted in accordance with 19 O.S. § 171.

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

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

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

Sincerely,

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

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



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

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, 2016**

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

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

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

Our responsibility is to express an opinion on 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, 2016, or changes in financial position for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash balances for all county funds of Cleveland County, for the year ended June 30, 2016, 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 accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the remaining supplementary information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statement.

The schedule of expenditures of federal awards and the remaining 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 schedule of expenditures of federal awards and the remaining 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 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, flowing style.

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, 2016

	Beginning Cash Balances July 1, 2015	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2016
Combining Information:						
County General Fund	\$ 16,437,442	\$ 23,408,245	\$ -	\$ -	\$ 20,729,307	\$ 19,116,380
County Highway Fund	8,226,707	6,289,228	-	-	6,387,960	8,127,975
County Health	8,794,477	5,119,675	-	-	6,905,617	7,008,535
Resale Property	3,513,943	1,126,572	-	-	1,687,712	2,952,803
Sheriff Service Fee	1,164,538	831,976	-	-	1,567,728	428,786
Sheriff Revolving	311,714	617,706	-	-	715,967	213,453
County Treasurer Certification Fee	483,433	54,900	-	-	18,737	519,596
County Clerk Lien Fee	280,071	45,866	-	-	12,146	313,791
County Clerk Preservation	848,295	301,705	-	-	235,099	914,901
Bridge Capital Improvement Fund	209,838	411	-	-	-	210,249
County Sheriff Courthouse Security Service Fee	3,834	50,277	-	-	758	53,353
Sales Tax	703,744	8,885,889	-	-	8,907,230	682,403
Cleveland County Justice Center	340,834	1,778,495	-	-	2,051,375	67,954
Community Development Block Grant Disaster Recovery	-	2,659,532	-	-	1,359,606	1,299,926
Highway Community Service	517	-	-	-	-	517
Sheriff Drug Fund	8,620	-	-	-	-	8,620
Sheriff Environmental Award	7,784	395	-	-	-	8,179
Sheriff Jail Fund	72,369	90,389	-	-	140,036	22,722
Sheriff Commissary	298,159	273,269	-	-	378,809	192,619
Sheriff Federal Share Revenue	32,196	71	-	-	-	32,267
Sheriff Donations	1,603	-	-	-	104	1,499
Sheriff Justice Assistance Grant	279	3,000	-	-	2,697	582
Sheriff Property Forfeiture	79,444	-	-	-	6,083	73,361
County Commissioner Building Fund	693,026	1,541	-	-	-	694,567
County Assessor Revolving	3,412	5,670	-	-	300	8,782
Child Abuse Prevention	11,147	729	-	-	-	11,876
Saferoom FEMA Grant	2,789	-	-	-	-	2,789
Sheriff Criminal Alien Assistance Grant	676	7,666	-	-	1,687	6,655
Local Emergency Planning Committee	24,142	1,000	-	-	15,094	10,048
County Fair Board	426,907	-	-	407,108	19,785	14
County Sinking	1,343	4	-	-	-	1,347
District Attorney Incarceration Costs	14,783	6,828	-	-	-	21,611
Hazard Mitigation Grant	2,339	-	-	-	-	2,339
Cleveland County Anna McBride Court	33,255	101,500	-	-	115,452	19,303
County Bridge and Road Improvement Fund	3,075,242	429,430	-	-	-	3,504,672
First Choice Recovery	870	2,375	-	-	1,100	2,145
S.T.O.P. Violence Against Women	12,785	30,633	-	-	38,312	5,106
Cleveland County Access to Recovery	462	-	-	-	-	462
Sheriff Mobile Command Center	56,111	-	-	-	10,904	45,207
Safe Room Grant	183,616	1,344	-	-	184,960	-
Early Settlement Fund	4,000	13,764	-	-	14,054	3,710
Fairgrounds	-	307,423	407,108	-	132,090	582,441
Sheriff Reserve Deputy Donations	-	12,709	-	-	-	12,709
Combined Total - All County Funds	\$ 46,366,746	\$ 52,460,217	\$ 407,108	\$ 407,108	\$ 51,640,709	\$ 47,186,254

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, 2016**

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, 2016**

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.

Community Development Block Grant Disaster Recovery – accounts for federal grant monies received and disbursed as restricted by the grant agreement with the Oklahoma Department of Commerce.

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.

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

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

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

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

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.

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 Reserve Deputy Donations – accounts for the receipt of donations and disbursed for Sheriff Reserve Deputy equipment.

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

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

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 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. §

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

2820.A. states, ". . . Each assessor shall thereafter maintain an active and systematic program of visual inspection on a continuous basis and shall establish an inspection schedule which will result in the individual visual inspection of all taxable property within the county at least once each four (4) years."

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

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

3. Other Information

A. Pension Plan

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

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

C. Contingent Liabilities

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

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

D. Sales Tax

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 a effective date; making provisions severable; and declaring an emergency. These funds are accounted for in the Sales Tax fund.

E. Tax Abatements

The County is subject to ad valorem tax abatements granted by the State of Oklahoma in accordance with the Oklahoma Constitution, Article 10 Section 6B for qualifying manufacturing concern—ad valorem tax exemption.

Under this program, a five-year ad valorem tax exemption exempts all real and personal property that is necessary for the manufacturing of a product and facilities engaged in research and development which meet the requirements set by the Oklahoma Constitution and statutes. Under Title 68 O.S. § 2902, in exchange for the five-year exemption, qualifying manufacturing concerns must meet certain minimum investment requirements for construction, acquisition, or expansion of a manufacturing facility. In addition, there are general minimum payroll requirements that must be met and the qualifying manufacturing concern must offer basic health benefit plans to all full-time employees within 180 days of employment.

The County had \$71,722 of ad valorem taxes abated under this program for the fiscal year ended June 30, 2016.

The State has an Ad Valorem Reimbursement Fund in accordance with Title 62 O.S. § 193 that is used to reimburse the County for the loss of revenue. Monies apportioned to this fund by the State

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

also may be transferred to other state funds or otherwise expended as directed by the Legislature. In the event monies apportioned to the Fund are insufficient to pay all claims for reimbursement, claims for reimbursement for loss of revenue due to manufacturing exemptions of ad valorem taxes shall be paid first, and any remaining funds shall be distributed proportionally among the counties making claims for reimbursement for loss of revenue for school district exemptions.

F. Interfund Transfer

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

- \$407,108 was transferred from County Fair Board fund to create the Fairgrounds fund.

G. 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, 2016

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 16,437,442	\$ 16,437,442	\$ -
Less: Prior Year Outstanding Warrants	(76,296)	(76,296)	-
Less: Prior Year Encumbrances	(1,228,098)	(1,084,047)	144,051
Beginning Cash Balances, Budgetary Basis	<u>15,133,048</u>	<u>15,277,099</u>	<u>144,051</u>
 Total Receipts, Budgetary Basis	 <u>23,372,005</u>	 <u>23,408,245</u>	 <u>36,240</u>
Total Expenditures, Budgetary Basis	<u>38,505,053</u>	<u>21,325,485</u>	<u>17,179,568</u>
 Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	 <u>\$ -</u>	 17,359,859	 <u>\$ 17,359,859</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		173	
Add: Current Year Outstanding Warrants		1,352,407	
Add: Current Year Encumbrances		<u>403,941</u>	
Ending Cash Balance		<u>\$ 19,116,380</u>	

**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, 2016**

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 8,794,477	\$ 8,794,477	\$ -
Less: Prior Year Outstanding Warrants	(22,395)	(22,395)	-
Less: Prior Year Encumbrances	(2,365,755)	(2,283,887)	81,868
Beginning Cash Balances, Budgetary Basis	<u>6,406,327</u>	<u>6,488,195</u>	<u>81,868</u>
 Total Receipts, Budgetary Basis	 <u>5,138,561</u>	 <u>5,119,675</u>	 <u>(18,886)</u>
 Total Expenditures, Budgetary Basis	 <u>11,544,888</u>	 <u>5,460,035</u>	 <u>6,084,853</u>
 Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	 <u>\$ -</u>	 6,147,835	 <u>\$ 6,147,835</u>
 Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		858,240	
Add: Current Year Outstanding Warrants		<u>2,460</u>	
Ending Cash Balance		<u>\$ 7,008,535</u>	

CLEVELAND COUNTY, OKLAHOMA
NOTE TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

1. Budgetary Schedules

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed Through State Department of Commerce:			
Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)	14.269	16232 CDBG-DR 13	\$ 740,590
Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)	14.269	16565 CDBG-DR 13	619,016
Total U.S. Department of Housing and Urban Development			<u>1,359,606</u>
U.S. DEPARTMENT OF THE INTERIOR			
Direct Grant:			
Payments in Lieu of Taxes	15.226	N/A	32,724
Total U.S. Department of the Interior			<u>32,724</u>
U.S. DEPARTMENT OF JUSTICE			
Direct Grant:			
Violence Against Women Formula Grants	16.588	N/A	30,653
Passed Through the District Attorney's Council:			
State Criminal Alien Assistance Program	16.606	N/A	1,687
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	2,697
Total U.S. Department of Justice			<u>35,037</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed Through the Oklahoma Department of Emergency Management:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR-4222	59,128
Fire Management Assistance Grant	97.046	N/A	37,692
Total U.S. Department of Homeland Security			<u>96,820</u>
Total Expenditures of Federal Awards			<u>\$ 1,524,187</u>

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

Basis of Presentation

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

Indirect Cost Rate

Cleveland County has elected to not use the 10 percent de minimis cost rate allowed for by 2 CFR§ 200.414(f).

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 (with Combining Information) of Cleveland County, Oklahoma, as of and for the year ended June 30, 2016, 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, 2016, on the basis of accounting prescribed by Oklahoma state law, described in Note 1.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered 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 questioned costs that we consider to be material weaknesses: 2016-008 and 2016-012



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 questioned costs as item 2016-012.

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

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

TO THE OFFICERS OF
CLEVELAND COUNTY, OKLAHOMA

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Cleveland County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Cleveland County's compliance.

Opinion on Each Major Federal Program

In our opinion, Cleveland County, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2016.



Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2016-005, 2016-006, and 2016-007. Our opinion on each major federal program is not modified with respect to these matters.

Cleveland County's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Cleveland County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2016-001, 2016-002, and 2016-003 that we consider to be material weaknesses.

Cleveland County's Response to Findings

Cleveland County's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Cleveland County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. This report is also a public document pursuant to the Oklahoma Open Records Act (51 O.S., section 24A.1 et seq.), and shall be open to any person for inspection and copying.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

May 28, 2019

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

SECTION 1—Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:

- Material weakness(es) identified?..... Yes
- Significant deficiency(ies) identified? No

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

Federal Awards

Internal control over major programs:

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

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

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

Identification of Major Programs

CFDA Number(s)

14.269

Name of Federal Program or Cluster

Hurricane Sandy Community
Development Block Grant Disaster
Recovery Grants (CDBG-DR)

Dollar threshold used to distinguish between
Type A and Type B programs: \$750,000

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

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

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

Finding 2016-008 - Inadequate County-Wide Controls (Repeat Finding 2015-001)

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 Auditors & 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.

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

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 make sure 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 2016-012 - Inadequate Internal Controls and Noncompliance Over Disbursements and Payroll (Repeat Finding 2015-003)

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 forty-one (41) disbursements tested, five (5) disbursements were not timely encumbered.

Cause of Condition: Procedures have not been designed and implemented to strengthen internal controls over the disbursement process, or 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.

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

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 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 overtime. 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.”

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

Finding 2016-001 - Inadequate Internal Controls Over the Schedule of Expenditures of Federal Awards (Repeat Finding 2015-005)

PASS-THROUGH GRANTOR: Oklahoma Department of Commerce

FEDERAL AGENCY: Department of Housing and Urban Development

CFDA NO: 14.269

FEDERAL PROGRAM NAME: Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)

FEDERAL AWARD NUMBER: B-13-DS-40-0001

FEDERAL AWARD YEAR: 2016

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

CONTROL CATEGORY: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Period of Performance, Procurement and Suspension and Debarment, Reporting and Special Tests and Provisions

QUESTIONED COSTS: \$-0-

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

- CFDA #15.226 Payments in Lieu of Taxes expenditures in the amount of \$32,724 were not included on the SEFA.
- CFDA #16.588 Violence Against Women Formula Grants expenditures were overstated by \$7,658.
- CFDA #16.738 Edward Byrne Memorial Justice Assistance Grant Program expenditures in the amount of \$2,697 were not included on the SEFA.
- CFDA #97.036 Disaster Grants – Public Assistance (Presidentially Declared Disasters) expenditures in the amount of \$59,128 were not included on the SEFA.
- CFDA #97.046 – Fire Management Assistance Grant expenditures in the amount of \$37,692 were not included on the SEFA.

These errors resulted in the SEFA being understated by \$124,583.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure accurate reporting of federal grant expenditures.

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

Recommendation: OSAI recommends each office and/or department within the County establish internal controls to ensure accurate reporting of expenditures on the SEFA and to ensure compliance with federal requirements.

Management Response:

Chairman of the Board of County Commissioners: Cleveland County has purchased the SEFA Module for the new financial system. 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: 2 CFR 200, Subpart D, § ___.302(b) reads as follows:

(b) The financial management system of each non-Federal entity must provide for the following...:

(1) Identification, in its accounts, of all Federal awards received and expended and the Federal programs under which they were received. Federal program and Federal award identification must include, as applicable, the CFDA title and number, Federal award

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

identification number and year, name of the Federal agency, and name of the pass-through entity, if any.

(2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §§200.327 Financial reporting and 200.328 Monitoring and reporting program performance. If a Federal awarding agency requires reporting on an accrual basis from a recipient that maintains its records on other than an accrual basis, the recipient must not be required to establish an accrual accounting system. This recipient may develop accrual data for its reports on the basis of an analysis of the documentation on hand. Similarly, a pass-through entity must not require a subrecipient to establish an accrual accounting system and must allow the subrecipient to develop accrual data for its reports on the basis of an analysis of the documentation on hand.

(3) Records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation.

(4) Effective control over, and accountability for, all funds, property, and other assets. The non-Federal entity must adequately safeguard all assets and assure that they are used solely for authorized purposes. See §200.303 Internal controls.

2 CFR § 200.508(b) Auditee responsibilities reads as follows:

The auditee must:

Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with §200.510 Financial statements.

2 CFR § 200.510(b) Financial statements reads as follows:

Schedule of expenditures of Federal awards. The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with §200.502 Basis for determining Federal awards expended. [...]

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

Finding 2016-002 - Inadequate County-Wide Controls Over Major Federal Programs - Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)

PASS-THROUGH GRANTOR: Oklahoma Department of Commerce

FEDERAL AGENCY: Department of Housing and Urban Development

CFDA NO: 14.269

FEDERAL PROGRAM NAME: Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)

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

FEDERAL AWARD NUMBER: B-13-DS-40-0001

FEDERAL AWARD YEAR: 2016

CONTROL CATEGORY: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Period of Performance, Procurement and Suspension and Debarment, Reporting and Special Tests and Provisions

QUESTIONED COSTS: \$-0-

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

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

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

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

Management Response:

Chairman of the Board of County Commissioners: The County has contracted with the engineering services company as sub recipient for the administration of the County's CDBG-DR program. This company is responsible for program delivery and general administration. As a grant administrator, they will ensure that Local, State, and Federal regulations are met. Their responsibilities will include program oversight for the following:

Program Oversight: Includes engineering and construction activities and compliance; contractor change orders; labor standards compliance monitoring; contractor payment application approvals; review of environmental studies; submission of and HUD approvals for identified projects.

Program Administration: Responsible for the oversight of compliance in eligibility activities, meeting CDBG-DR program national objectives, identification of how each activity addresses a need from the disaster, and prevention of Duplication Benefits from all sources.

Program Monitoring: Monitors all procurement and performance review, technical assistance, internal audit functions, reports to prevent fraud, abuse and mismanagement of funds, and monitoring standards and procedures.

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

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

Environment, Risk Assessment, Information and Communication, and Monitoring for the achievement of these goals.

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

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

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

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

Finding 2016-003 - Inadequate Internal Controls Over Major Federal Programs - Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)

PASS-THROUGH GRANTOR: Oklahoma Department of Commerce

FEDERAL AGENCY: Department of Housing and Urban Development

CFDA NO: 14.269

FEDERAL PROGRAM NAME: Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)

FEDERAL AWARD NUMBER: B-13-DS-40-0001

FEDERAL AWARD YEAR: 2016

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

CONTROL CATEGORY: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Procurement and Suspension and Debarment, Reporting, Special Tests and Provisions

QUESTIONED COSTS: \$-0-

Condition: During the process of documenting the County's internal controls regarding federal disbursements, we noted that the County has not established internal controls to ensure compliance with the following compliance requirements:

Activities Allowed/Unallowed, Allowable Costs/Cost Principles, Cash Management, Procurement and Suspension and Debarment, Reporting, and Special Tests and Provisions.

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

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

Recommendation: OSAI recommends that the County gain an understanding of the requirements for these programs and implement a system of internal controls to ensure compliance with grant requirements.

Management Response:

Chairman of the Board of County Commissioners: The County hired a company that instituted the following controls system to guide program administration.

Internal Controls: A program has developed policies and procedures that define staff qualifications and duties, lines of authority, separation of functions. These policies and procedures include written accounting procedures for approving and recording transactions, where financial records are periodically compared to actual assets and liabilities to check for completeness and accuracy.

Accounting Controls: They maintain an adequate financial accounting tracking system for the County's CDBG-DR program, the basic elements of which include the following: (a) a chart of accounts, (b) a general ledger, (c) a cash disbursement journal, (d) payable and receivable ledgers, and (e) job cost journals for all construction and non-construction activities. These trackers provide reliable, complete, and up-to-date information about sources and uses of all funds.

Cost Controls: They have instituted a clearly defined set of standards and procedures for determining the reasonableness, allow ability and allocable.

Documentation Controls: They maintain up-to-date files of original source documentation (receipts, invoices, canceled checks, etc.) for all transactions, including those involving obligations incurred and the use of CDBG-DR program income and interest.

Budget Controls: They maintain an up-to-date budget for all funded activities and has performed a comparison of that budget with actual expenditures for each of its own budget categories. These controls regularly compare progress toward the achievement of goals with the rate of expenditure of program funds.

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

Criteria: Circular A-133 § .300 (b) states that the auditee shall:

“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.”

2 CFR § 200.303 Internal Controls states that:

“The non-Federal entity must:

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

(b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.

(c) Evaluate and monitor the non-Federal entity's compliance with statutes, regulations and the terms and conditions of Federal awards.

(d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

(e) Take reasonable measures to safeguard protected personally identifiable information and other information the Federal awarding agency or pass-through entity designates as sensitive or the non-Federal entity considers sensitive consistent with applicable Federal, state, local, and tribal laws regarding privacy and obligations of confidentiality.”

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

Finding 2016-005 - Noncompliance with Cash Management - Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)

PASS-THROUGH GRANTOR: Oklahoma Department of Commerce

FEDERAL AGENCY: Department of Housing and Urban Development

CFDA NO: 14.269

FEDERAL PROGRAM NAME: Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)

FEDERAL AWARD NUMBER: B-13-DS-40-0001

FEDERAL AWARD YEAR: 2016

CONTROL CATEGORY: Cash Management

QUESTIONED COSTS: \$-0-

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

Condition: During the review of 100% of federal disbursements the following was noted:

- Three (3) disbursements totaling \$37,750 were not made within 15 days of availability.
- The County did not track interest earned on cash advances.
- \$1,977.29 in interest was not remitted to the Federal agency.

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

Effect of Condition: These conditions resulted in noncompliance with federal grant requirements.

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

Management Response:

Chairman of the Board of County Commissioners: Cleveland County is utilizing its accounting and purchasing system as required by Oklahoma Statute to track its CDBG-DR funds. On April 19, 2016, Cleveland County submitted a letter explaining how its accounting and purchasing system is required to flow by law. Due to the nature of the County's accounting system, Cleveland County requested HUD and Oklahoma Department of Commerce for a Waiver Request of Cash on Hand to waive the 15-day release of funds process.

The County currently uses its General Accounts appropriation ledger to track all advances received from the State. A separate tracker has been developed to track interest has earned on County CDBG-DR funds. Any money not expended after the maximum time allowed is considered excess cash on hand and has been returned to ODCO/HUD.

Criteria: Circular A-133 § .300 states in part that the auditee shall:

“(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.

(c) Comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its Federal programs.”

The County's contract with the Oklahoma Department of Commerce states that:

“All funds received shall be expended within fifteen (15) days of receipt.”

2 CFR 200 Compliance Supplement Part 3.1 Cash Management states that:

“Except for interest earned on advances of funds exempt under the Intergovernmental Cooperation Act (31 USC 6501 *et seq.*) and the Indian Self-Determination Act (23 USC 450), interest earned by local government and Indian tribal government grantees and subgrantees on advances is required to be submitted promptly, but at least quarterly, to the Federal agency. Up to \$100 per year may be kept for administrative expenses.”

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

Finding 2016-006 - Noncompliance with Procurement and Suspension and Debarment - Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)

PASS-THROUGH GRANTOR: Oklahoma Department of Commerce

FEDERAL AGENCY: Department of Housing and Urban Development

CFDA NO: 14.269

FEDERAL PROGRAM NAME: Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)

FEDERAL AWARD NUMBER: B-13-DS-40-0001

FEDERAL AWARD YEAR: 2016

CONTROL CATEGORY: Procurement and Suspension and Debarment

QUESTIONED COSTS: \$-0-

Condition: The County did not verify that its contractors were not debarred, suspended, or otherwise excluded before entering into covered transactions with them.

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

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

Recommendation: OSAI recommends the County gain an understanding of requirements for federal programs and implement internal controls to ensure compliance with the requirements.

Management Response:

Chairman of the Board of County Commissioners: Initially, the County procured an engineering company to administer its CDBG-DR program. The County staff has been actively monitoring their performance and its administration roles for the County CDBG-DR program. Subsequently, the County staff recognized the engineering company's deficiencies and therefore procured another engineering company for the administration of the County's CDBG-DR program. The new engineering company is responsible for program delivery and general administration. Their grant administration will ensure the Local, State, and Federal regulations are met.

Action to correct this issue took place in January 2017. At that time, the initial engineering company's debarment status was verified and it was determined the contractor was not debarred and was not delinquent for any federal debt.

Criteria: Circular A-133 § .300 states in part that the auditee shall:

“(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.

(c) Comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its Federal programs.”

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

Circular A-102 1.d. states that:

“Debarment and Suspension. Federal agencies shall not award assistance to applicants that are debarred or suspended, or otherwise excluded from or ineligible for participation in Federal assistance programs under Executive Order 12549. Agencies shall establish procedures for the effective use of the List of Parties Excluded from Federal Procurement or Nonprocurement programs to assure that they do not award assistance to listed parties in violation of the Executive Order. Agencies shall also establish procedures to provide for effective use and/or dissemination of the list to assure that their grantees and subgrantees (including contractors) at any tier do not make awards in violation of the nonprocurement debarment and suspension common rule.”

2 CFR § 200.303 states that:

“The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
- (b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.
- (c) Evaluate and monitor the non-Federal entity's compliance with statutes, regulations and the terms and conditions of Federal awards.
- (d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.
- (e) Take reasonable measures to safeguard protected personally identifiable information and other information the Federal awarding agency or pass-through entity designates as sensitive or the non-Federal entity considers sensitive consistent with applicable Federal, state, local, and tribal laws regarding privacy and obligations of confidentiality.”

2 CFR § 180.300 states, “When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by:

- (a) Checking SAM Exclusions; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person.”

Finding 2016-007 - Noncompliance with Reporting - Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)

PASS-THROUGH GRANTOR: Oklahoma Department of Commerce

FEDERAL AGENCY: Department of Housing and Urban Development

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

CFDA NO: 14.269

FEDERAL PROGRAM NAME: Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)

FEDERAL AWARD NUMBER: B-13-DS-40-0001

FEDERAL AWARD YEAR: 2016

CONTROL CATEGORY: Reporting

QUESTIONED COSTS: \$-0-

Condition: Of the seven (7) disbursements for this program, five (5) reflected that the County did not submit expenditure reports by the 10th day of the month.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure state and federal reporting requirements are made in accordance with federal compliance requirements.

Effect of Condition: This condition resulted in noncompliance with state and federal grant requirements.

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

Management Response:

Chairman of the Board of County Commissioners: The County has been working with ODOC staff when additional assistance is needed and especially efforts are made to ensure the County CDBG-DR program expenditures report and other State and HUD requirements are submitted on time and as required.

Criteria: Circular A-133 § .300 states in part that the auditee shall:

“(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.

(c) Comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its Federal programs.”

2 CFR § 200.303 states that:

“The non-Federal entity must:

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

(b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.

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

Further, the County's contracts with the Oklahoma Department of Commerce states that:

"The Contractor is required to submit a Monthly Expenditure Report by the tenth (10th) of the month following the receipt and/or expenditure of funds."

SECTION 4—This section contains certain matters not required to be reported in accordance with *Government Auditing Standards*. However, we believe these matters are significant enough to bring to management's attention. We recommend that management consider these matters and take appropriate corrective action.

Finding 2016-010 Inadequate Internal Controls and Noncompliance Over Inmate Trust Fund Checking Account and Sheriff Commissary Fund (Repeat Finding 2004-002, 2004-003, 2005-002, 2005-003, 2006-004, 2006-005, 2007-002, 2008-004, 2009-003, 2010-003, 2011-002, 2012-002, 2013-002, 2014-002, 2015-006)

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

- 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 preformed and the inmate trust ledgers have not been reconciled to the bank account. Additionally, as of January 31, 2017 the Trust Fund bank 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 16:
 - 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.

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

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 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 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 in accordance with Title 22 O.S. § 1325 (F&H)
- All collections should be deposited daily.
- 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.

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

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.”

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 2016-013 – Inadequate Internal Controls Over Court Clerk Expenditures and Reporting Process (Repeat Finding 2015-007)

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

Court Fund:

- One (1) of twenty-five (25) Court Fund claims did not match the invoiced amount.

District Court Receipts:

- Six (6) 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.

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

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

Recommendation: OSAI recommends 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 are 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. 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."

APPENDIX A

CORRECTIVE ACTION PLAN

(Prepared by County Management)



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

Finding No.	Title (Financial) or CFDA No. & Program Name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-001 Schedule of Expenditures of Federal Awards (Repeat Finding-2015- 005)	14.269- Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)	Cleveland County has purchased the SEFA Module for the Munis System. This system will build the report as transactions occur during the fiscal year. The Cleveland County Treasurer and County Clerk 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.	07/1/2019	Rod Cleveland, Chair of the Cleveland County Board of Commissioners
2016-002 Inadequate County-Wide Controls Over Major Programs- Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG- DR)	14.269- Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)	The County has contracted with the engineering services company as sub recipient for the administration of the County's CDBG-DR program. This company is responsible for program delivery and general administration. As a grant administrator, they will ensure that Local, State, and Federal regulations are met. Their responsibilities will include program oversight for the following: Program Oversight: Includes engineering and construction activities and compliance; contractor change orders; labor standards compliance monitoring; contractor payment application approvals; review of environmental studies; submission of and HUD approvals for identified projects. Program Administration: Responsible for the oversight of compliance in eligibility activities, meeting CDBG-DR program national objectives, identification of how each activity addresses a need from the disaster, and prevention of Duplication Benefits from all sources. Program Monitoring: Monitors all procurement and performance review, technical assistance, internal audit functions, reports to prevent fraud, abuse and mismanagement of funds, and monitoring standards and procedures.	7/18/2016	IBTS on behalf of Commissioner Darry Stacy
2016-003 Inadequate Internal Controls Over Major Programs- Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG- DR)	14.269- Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)	The County hired a company that instituted the following controls system to guide program administration. Internal Controls: A program has developed policies and procedures that define staff qualifications and duties, lines of authority, separation of functions. These policies and procedures include written accounting procedures for approving and recording transactions, where financial records are periodically compared to actual assets and liabilities to check for completeness and accuracy. Accounting Controls: They maintain an adequate financial accounting tracking system for the County's CDBG-DR program, the basic elements of which include the following: (a) a chart of accounts, (b) a general ledger, (c) a cash	7/18/2016	IBTS on behalf of Commissioner Darry Stacy



DR)		<p>disbursement journal, (d) payable and receivable ledgers, and (e) job cost journals for all construction and non-construction activities. These trackers provide reliable, complete, and up-to-date information about sources and uses of all funds.</p> <p>Cost Controls: They have instituted a clearly defined set of standards and procedures for determining the reasonableness, allow ability and allocable.</p> <p>Documentation Controls: They maintain up-to-date files of original source documentation (receipts, invoices, canceled checks, etc.) for all transactions, including those involving obligations incurred and the use of CDBG-DR program income and interest.</p> <p>Budget Controls: They maintain an up-to-date budget for all funded activities and has performed a comparison of that budget with actual expenditures for each of its own budget categories. These controls regularly compare progress toward the achievement of goals with the rate of expenditure of program funds.</p>		
2016-005 Noncompliance Over Cash Management- Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)	14.269- Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)	<p>Cleveland County is utilizing its accounting and purchasing system as required by Oklahoma Statute to track its CDBG-DR funds. On April 19, 2016, Cleveland County submitted a letter explaining how its accounting and purchasing system is required to flow by law. Due to the nature of the County's accounting system, Cleveland County requested HUD and Oklahoma Department of Commerce for a Waiver Request of Cash on Hand to waive the 15-day release of funds process.</p> <p>The County currently uses its General Accounts appropriation ledger to track all advances received from the State. A separate tracker has been developed to track interest has earned on County CDBG-DR funds.</p> <p>Any money not expended after the maximum time allowed is considered excess cash on hand and has been returned to ODCO/HUD.</p>	4/19/2016	IBTS Commissioner Darry Stacy
2016-006 Noncompliance Over Procurement and Suspension and Debarment- Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)	14.269- Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)	<p>Initially, the County procured an engineering company to administer its CDBG-DR program. The County staff has been actively monitoring their performance and its administration roles for the County CDBG-DR program. Subsequently, the County staff recognized the engineering company's deficiencies and therefore procured another engineering company for the administration of the County's CDBG-DR program. The new engineering company is responsible for program delivery and general administration. Their grant administration will ensure the Local, State, and Federal regulations are met.</p> <p>Action to correct this issue took place in January 2017. At that time, the initial engineering company's debarment status was verified, and it was determined the contractor was not debarred and was not delinquent for any federal debt.</p>	06/30/2017	IBTS on behalf of Commissioner Darry Stacy
2016-007 Noncompliance Over Reporting- Hurricane Sandy Community Development Block Grant	14.269- Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)	<p>The County has been working with ODOC staff when additional assistance is needed and especially efforts are made to ensure the County CDBG-DR program expenditures report and other State and HUD requirements are submitted on time and as required.</p>	7/18/2016	IBTS on behalf of Commissioner Darry Stacy



Disaster Recovery Grants (CDBG-DR)				
2016-008 Inadequate County-Wide Controls (Repeat Finding-2015-001)	Financial	This finding is overly broad and vague. In response to this finding, Cleveland County believes that internal controls are adequate despite the limitation of financial resources to hire additional staff. 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.	01/2/2019	Commissioner Rod Cleveland Chairman BOCC
2016-012 Inadequate Internal Controls and Noncompliance Over Disbursements and Payroll (Repeat Finding-2015-003)	Financial	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. The purchase orders 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.	10/2/2017	Commissioner Rod Cleveland Chairman BOCC

APPENDIX B

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

(Prepared by County Management)



Cleveland County
Schedule of Prior Year Findings and Questioned Costs
in accordance with 2 CFR 200.511c
For the fiscal year ended June 30, 2016

FINANCIAL AUDIT FINDINGS

Finding: 2015-001

Inadequate County-Wide Controls

Finding Summary: 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.

Status: Corrective action not taken. The BOCC Chairman responds with this finding is overly broad and vague. In response to this finding, Cleveland County believes that internal controls are adequate despite the limitation of financial resources to hire additional staff. 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.

Finding: 2015-003

Inadequate Internal Controls and Noncompliance Over Disbursements and Payroll.

Finding Summary: 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.

Status: Corrective action not taken. The BOCC Chairman responds with 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.

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.

FEDERAL AUDIT FINDINGS

No Prior Year Federal Findings

Cleveland County
201 S. Jones
Norman, OK 73069



Cindy Byrd, CPA | State Auditor & Inspector

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