



CLEVELAND COUNTY

Financial Audit

For the fiscal year ended June 30, 2017

Cindy Byrd, CPA
State Auditor & Inspector

**CLEVELAND COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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Cindy Byrd, CPA | State Auditor & Inspector

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November 23, 2020

TO THE CITIZENS OF
CLEVELAND COUNTY, OKLAHOMA

Transmitted herewith is the audit of Cleveland County, Oklahoma for the fiscal year ended June 30, 2017. 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 and last names clearly legible.

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



**CLEVELAND COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

Marilyn Williams

District Attorney

Greg Mashburn

**CLEVELAND COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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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, 2017, 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, 2017, 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, 2017, in accordance with the basis of accounting described in Note 1.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the combined total of all county funds on the financial statement. The 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 relates directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 November 10, 2020, 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

November 10, 2020

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, 2017

	Beginning Cash Balances July 1, 2016	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2017
Combining Information:						
County General Fund	\$ 19,116,380	\$ 25,030,561	\$ -	\$ 35,000	\$ 22,531,817	\$ 21,580,124
County Highway Fund	8,127,975	5,577,271	-	-	5,847,899	7,857,347
County Health	7,008,535	5,456,638	-	-	4,750,497	7,714,676
County Assessor Revolving	8,782	872	-	-	-	9,654
Bridge Capital Improvement Fund	210,249	613	-	-	-	210,862
Community Development Block Grant Disaster Recovery	1,299,926	2,350,986	-	-	3,459,059	191,853
Child Abuse Prevention	11,876	626	-	-	-	12,502
Cleveland County Access to Recovery	462	-	-	-	-	462
Cleveland County Anna McBride Court	19,303	101,500	-	-	100,899	19,904
County Bridge and Road Improvement Fund	3,504,672	375,643	-	-	184,199	3,696,116
County Commissioner Building Fund	694,567	1,738	-	-	-	696,305
County Clerk Lien Fee	313,791	40,968	-	-	14,850	339,909
County Clerk Preservation	914,901	306,199	-	-	454,158	766,942
District Attorney Incarceration Costs	21,611	3,497	-	-	-	25,108
Early Settlement Fund	3,710	21,446	8,000	-	26,099	7,057
Emergency Management/Risk Assessment Donations	-	2,000	-	-	-	2,000
County Fair Board	14	-	-	14	-	-
Fairgrounds	582,441	306,251	14	-	138,182	750,524
First Choice Recovery	2,145	1,000	-	-	500	2,645
Hazard Mitigation Grant	2,339	-	-	-	-	2,339
Highway Community Service	517	-	-	-	-	517
Local Emergency Planning Committee	10,048	1,750	-	-	300	11,498
Oklahoma Bar Foundation Donations for Court Areas	-	1,500	-	-	1,500	-
Resale Property	2,952,803	1,861,312	-	-	2,311,037	2,503,078
S.T.O.P. Violence Against Women	5,106	28,081	-	-	30,634	2,553
Saferoom FEMA Grant	2,789	-	-	-	-	2,789
Sales Tax	682,403	8,711,799	-	-	8,673,041	721,161
Cleveland County Justice Center	67,954	2,573,117	-	-	2,631,037	10,034
Sheriff Commissary	192,619	375,345	-	-	380,213	187,751
County Sheriff Courthouse Security Service Fee	53,353	45,480	-	-	654	98,179
Sheriff Criminal Alien Assistance Grant	6,655	8,491	-	-	4,166	10,980
Sheriff Donations	1,499	5,250	-	-	-	6,749
Sheriff Environmental Reward	8,179	98	-	-	-	8,277
Sheriff Federal Share Revenue	32,267	81	-	-	-	32,348
Sheriff Jail Fund	22,722	51,544	-	-	60,742	13,524
Sheriff Justice Assistance Grant	582	1,630	-	-	1,530	682
Sheriff Mobile Command Center	45,207	-	-	-	127	45,080
Sheriff Property Forfeiture	73,361	2,210	-	-	37,266	38,305
Sheriff Reserve Deputy Donations	12,709	-	-	-	1,267	11,442
Sheriff Revolving	213,453	834,408	-	-	863,063	184,798
Sheriff Service Fee	428,786	619,285	-	-	646,688	401,383
Sheriff Drug Fund	8,620	-	-	-	-	8,620
County Sinking	1,347	3	-	-	-	1,350
County Treasurer Certification Fee	519,596	55,700	-	-	24,398	550,898
Combined Total - All County Funds	\$ 47,186,254	\$ 54,754,893	\$ 8,014	\$ 35,014	\$ 53,175,822	\$ 48,738,325

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, 2017**

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 for the purpose of constructing and maintaining county roads and bridges.

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

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

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

**CLEVELAND COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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.

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

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

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

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

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

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.

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

Emergency Management/Risk Assessment Donations – accounts for the receipt of donations and disbursed for Emergency Management and Risk Assessment.

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.

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

First Choice Recovery – 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, 2017**

Hazard Mitigation Grant – accounts for grant monies received and disbursed as restricted by the grant agreement.

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

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

Oklahoma Bar Foundation Donations for Court Areas – accounts for the receipt of donations and disbursed for improvements of the courtrooms.

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

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.

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

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

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

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

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

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

Sheriff Donations – accounts for donations made to the Sheriff's office.

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

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

**CLEVELAND COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

Sheriff Justice Assistance Grant – 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.

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

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

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

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

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

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

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

C. Basis of Accounting

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

Title 19 O.S. § 171 specifies the format and presentation for Oklahoma counties to present their financial statement in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) or on a regulatory basis. The County has elected to present their financial statement on a regulatory basis in conformity with Title 19 O.S. § 171. County governments (primary only) are required to present their financial statements on a fund basis format

**CLEVELAND COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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. § 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

**CLEVELAND COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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.

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

**CLEVELAND COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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; authorizes the pledging of the sales tax for debt service; determining an effective date; making provisions severable; and declaring an emergency. These funds are accounted for 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 \$36,876 of ad valorem taxes abated under this program for the fiscal year ended June 30, 2017.

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 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

**CLEVELAND COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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 Transfers

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

- \$26,000 was transferred from the County General Fund to create the Flexible Spending Account – Medical fund (a trust and agency fund).
- \$1,000 was transferred from County General Fund to create the Flexible Spending Account – Dependent Care fund (a trust and agency fund).
- \$8,000 was transferred from County General Fund to fund the Early Settlement Fund.
- \$14 was transferred from County Fair Board fund to Fairgrounds fund to close the County Fair Board fund per Budget Board resolution.

SUPPLEMENTARY INFORMATION

CLEVELAND COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—
BUDGETARY BASIS—GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	General Fund		
	Budget	Actual	Variance
District Attorney-County	\$ 32,328	\$ 22,793	\$ 9,535
County Sheriff	4,094,818	4,092,759	2,059
County Treasurer	1,297,225	758,155	539,070
County Commissioners	726,207	695,533	30,674
OSU Extension	404,852	355,537	49,315
County Clerk	1,450,915	1,366,831	84,084
Court Clerk	1,673,997	1,559,155	114,842
County Assessor	1,012,500	981,178	31,322
Revaluation of Real Property	1,015,289	992,834	22,455
District Court	176,859	161,506	15,353
General Government	3,674,919	3,146,179	528,740
Excise-Equalization Board	4,100	4,043	57
County Election Board	694,020	693,757	263
Purchasing Agent	156,033	145,813	10,220
Cleveland County Justice Center	2,976,699	2,976,697	2
Emergency Management	250,982	187,373	63,609
Capital Improvement	15,733,013	524,473	15,208,540
Human Resources	186,232	162,746	23,486
Building Security	883,412	883,142	270
IT Department	404,601	388,518	16,083
Highway Budget Account	1,720,396	1,649,206	71,190
County Audit Budget Account	200,000	191,129	8,871
Free Fair Budget Account	462,845	448,633	14,212
Building Maintenance	815,948	637,709	178,239
Other Use	2,450,230	-	2,450,230
Total Expenditures, Budgetary Basis	<u>\$ 42,498,420</u>	<u>\$ 23,025,699</u>	<u>\$ 19,472,721</u>

CLEVELAND COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—
BUDGETARY BASIS—HEALTH FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Health Fund		
	Budget	Actual	Variance
Health and Welfare	\$ 11,126,284	\$ 5,346,344	\$ 5,779,940
Other Uses	541,119	-	541,119
Total Expenditures, Budgetary Basis	<u>\$ 11,667,403</u>	<u>\$ 5,346,344</u>	<u>\$ 6,321,059</u>

**CLEVELAND COUNTY, OKLAHOMA
NOTE TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

1. Budgetary Schedules

The Comparative Schedules of Expenditures—Budget and Actual—Budgetary Basis for the General Fund and the Health Fund present comparisons of the legally adopted budget with actual data. The "actual" data, as presented in the comparison of budget and actual, will differ from the data as presented in the Statement of Receipts, Disbursements, and Changes in Cash Balances (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, 2017**

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 Oklahoma Department of Commerce:			
Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)	14.269	16324 CDBG-DR 13	\$ 597,418
Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)	14.269	16325 CDBG-DR 13	317,240
Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)	14.269	16326 CDBG-DR 13	372,548
Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)	14.269	16327 CDBG-DR 13	602,766
Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)	14.269	16328 CDBG-DR 13	79,537
Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)	14.269	16232 CDBG-DR 13	13,782
Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)	14.269	16565 CDBG-DR 13	389,832
Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)	14.269	16566 CDBG-DR 13	1,085,937
Total U.S. Department of Housing and Urban Development			<u>3,459,060</u>
U.S. DEPARTMENT OF INTERIOR			
Direct Grant:			
Payments in Lieu of Taxes	15.226	N/A	<u>34,067</u>
Total U.S. Department of Interior			<u>34,067</u>
U.S. DEPARTMENT OF JUSTICE			
Direct Grant:			
Violence Against Women Formula Grants	16.588	N/A	30,634
Passed Through the District Attorney's Council:			
State Criminal Alien Assistance Program	16.606	N/A	4,166
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	1,530
Total U.S. Department of Justice			<u>36,330</u>
Total Expenditures of Federal Awards			<u><u>\$ 3,529,457</u></u>

CLEVELAND COUNTY, OKLAHOMA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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 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, 2017 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 November 10, 2020.

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, 2017 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 opinion 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 a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention of those charged with governance.



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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters regarding statutory compliance that we reported to the management of 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 response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on the response.

Purpose of this Report

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

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

November 10, 2020

**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, 2017. 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 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, 2017.

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 item 2017-017. 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 did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2017-017, that we consider to be a significant deficiency.

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

November 10, 2020

**CLEVELAND COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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?..... No
- Significant deficiency(ies) identified? None Reported

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

Federal Awards

Internal control over major programs:

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

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, 2017**

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

No matters were reported.

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

Finding 2017-017 - Lack of Internal Controls and Noncompliance Over Reporting - Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR) (Repeat Finding 2016-007)

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: 2017

CONTROL CATEGORY: Reporting

QUESTIONED COSTS: \$-0-

Condition: Of the twenty-three (23) expenditures tested, totaling \$3,459,059; there were seven (7) expenditures totaling \$137,475 that were not reported by the 10th of the month following the receipt and/or expenditure of funds.

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

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

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, Board of County Commissioners: Cleveland County identified the reporting issue and reported it to the Oklahoma Department of Commerce (ODOC). Cleveland County worked with our grant administrator and ODOC continuously throughout the grant process to resolve the reporting of expenses by the 10th of the following month. Cleveland County's accounting procedures and state required appropriations policy directly affected the reporting requirement. Specifically the requirement to provide proof of payment/s be attached to the report to be accepted (typically a copy of the check/s). Cleveland

**CLEVELAND COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

County and ODOC eventually agreed that Cleveland County could use a purchase order report as proof of payment. This issue was corrected and will not be an issue on any future CDBG-DR grants.

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

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

Management conducts activities in accordance with applicable laws and regulations. As part of specifying compliance objectives, the entity determines which laws and regulations apply to the entity. Management is expected to set objectives that incorporate these requirements. Some entities may set objectives to a higher level of performance than established by laws and regulations. In setting those objectives, management is able to exercise discretion relative to the performance of the entity.

Additionally, OMB 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.”

Furthermore, the Electronic Code of Federal Regulations - 2 CFR 200.303 states that:

Internal Controls

“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.

**CLEVELAND COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

- (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.”

The County’s contracts with the Oklahoma Department of Commerce state 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 2017-007 - Lack of Internal Controls and Noncompliance Over Inmate Trust Fund Checking Account and Sheriff Commissary Fund (Repeat Finding)

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

- One employee receipts monies, prepares deposits, posts deposits, controls bank statements, prepares disbursements, prints checks, has administrative rights to software program, and performs reconciliations 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 Inmate Trust Fund Checking Account had an insufficient fund balance of \$16,499 and as of March 21, 2017, had an insufficient fund balance of \$20,829 after changing bank accounts due to new commissary vendor.
- Upon further review of the Inmate Trust Fund the following was noted:
 - There is no policy or procedure regarding unclaimed funds.
 - Inmate Trust Fund Ledger indicated released inmates still had a balance on the ledger even though a check cleared the bank.
 - Journal entries are used when bank statements are being reconciled for unknown variances and without verifying the amount to the Inmate Trust Fund Ledger.
- Collections were not deposited into the Inmate Trust Fund Checking Account daily.
- 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, 2017**

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, 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.
- Bank reconciliations should be performed on a monthly basis.
- Policies and procedures should be designed and implemented 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.
- The Sheriff should file a report of the commissary with the Board of 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. The insufficient balance has been satisfied and made whole and 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. In regard to the Inmate Trust Account Checking Account, below are just a few of the internal changes made to the system.

Check Writing procedures:

1. If there is any change to personnel with check writing privileges the undersheriff is notified.
2. Report for each check written to an inmate or facility in care of the inmate.
3. Report for each check voided.
4. Report for any missing checks weekly.

Criteria: Component objectives of effective internal control systems are to deter and detect fraud and to provide accurate and reliable information. Internal controls are designed to safeguard assets and to analyze and check accuracy, completeness, and authorization of transactions. Failure to perform tasks that are part of internal controls, such as segregating duties or implementing compensating reviews, performing bank

**CLEVELAND COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

reconciliations accurately and timely, and maintaining records in a manner to ensure compliance with state statutes and/or to minimize the risk of misappropriation, are deficiencies in internal control.

The GAO Standards – Principle 10 – Design Control Activities – 10.03 states part:

Establishment of review of performance measurers and indicators

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

Segregation of duties

Management divides or segregates key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. This includes separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets so that no one individual controls all key aspects of a transaction or event.

Accurate and timely recording of transactions

Transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from its initiation and authorization through its final classification in summary records. In addition, management designs control activities so that all transactions are completely and accurately recorded.”

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

Objectives of an Entity – Compliance Objectives

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

Furthermore, GAO Standards – Section 2 – Establishing an Effective Internal Control System – OV2.24 states in part:

Safeguarding of Assets

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

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

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

**CLEVELAND COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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."

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, 2017**

Finding No.	Title (Financial) or CFDA No. & Program Name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2017-017	14.269 - Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)	Cleveland County Identified the reporting issue and reported it to the Oklahoma Department of Commerce "ODOC". Cleveland County worked with our IBTS grant administrator and ODOC continuously throughout the grant process to resolve the reporting of expenses by the 10 th of the following month. Cleveland County's accounting procedures and state required appropriation policy directly affected the reporting requirement. Specifically, the requirement to provide proof of payment/s be attached to the report to be accepted (typically a copy of the check/s). Cleveland County and ODOC eventually agreed that Cleveland County could use a purchase order report as proof of payment.	December 30, 2020	Darry Stacy – BOCC Chairman

APPENDIX B

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

(Prepared by County Management)



CLEVELAND COUNTY

Summary Schedule of Prior Audit Findings in accordance with 2 CFR § 200.511b for the fiscal year ended June 30, 2017

FINANCIAL AUDIT FINDINGS

Finding 2015-001 and 2016-008

Title 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: Fully Corrected.

Finding 2015-008 and 2016-011

Title Inadequate Internal Controls and Noncompliance Over Signature Stamp – County Commissioners

Finding Summary: Upon inquiry, observation, and review of documents, we noted the following internal control weaknesses with regards to purchasing procedures:

- The signature stamps for the County Commissioners are under the physical control of the Board of County Commissioners' secretary and is retained within the secretary's desk.
- The approval signatures on all purchase orders are stamped by the Board of County Commissioner's secretary after being approved in a Board of County Commissioners Meeting.
-

Status: Fully Corrected.

Finding 2015-003 and 2016-012

Title Inadequate Internal Controls and Noncompliance Over Disbursements and Payroll Finding

Summary: During observation and testwork of the disbursement and payroll processes, the following was noted:

- Compensatory hours exceeded the 480 allowed in the County Handbook.
- Of the forty-one disbursements tested, five (5) disbursements were not timely encumbered.
-

Status: Fully Corrected.



Cindy Byrd, CPA | State Auditor & Inspector

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