



CREEK COUNTY

Financial Audit

For the fiscal year ended June 30, 2018

Cindy Byrd, CPA
State Auditor & Inspector

**CREEK COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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September 10, 2021

TO THE CITIZENS OF
CREEK COUNTY, OKLAHOMA

Transmitted herewith is the audit of Creek County, Oklahoma for the fiscal year ended June 30, 2018. 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,



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



**CREEK COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Board of County Commissioners

District 1 – Newt Stephens
District 2 – Leon Warner
District 3 – Lane Whitehouse

County Assessor

JaNell Enlow

County Clerk

Jennifer Mortazavi

County Sheriff

Bret Bowling

County Treasurer

Don Engle

Court Clerk

Amanda VanOrsdel

District Attorney

Max Cook

**CREEK COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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**CREEK COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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FINANCIAL SECTION

Independent Auditor's Report

TO THE OFFICERS OF
CREEK 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 Creek County, Oklahoma, as of and for the year ended June 30, 2018, 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 Creek 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 Creek County as of June 30, 2018, 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 Creek County, for the year ended June 30, 2018, 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 is 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 September 2, 2021, on our consideration of Creek 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 Creek County's internal control over financial reporting and compliance.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

September 2, 2021

REGULATORY BASIS FINANCIAL STATEMENT

CREEK COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS
(WITH COMBINING INFORMATION)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Beginning Cash Balances July 1, 2017	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2018
Combining Information:				
County General	\$ 1,955,503	\$ 6,561,188	\$ 6,241,144	\$ 2,275,547
Highway Cash	1,336,333	4,216,394	4,138,362	1,414,365
Highway Sales Tax	1,565,831	2,075,616	1,408,263	2,233,184
Sheriff Service Fee	198,619	579,118	486,446	291,291
County Health	492,913	1,271,618	902,814	861,717
Community Development	193,300	2,531,204	2,667,477	57,027
General Administration	1,346,749	312,052	895	1,657,906
County Jail Sales Tax	43,034	-	43,034	-
County Jail Maintenance	795,536	2,080,722	1,942,966	933,292
Sheriff Board of Prisoners	124,741	795,297	821,085	98,953
WR-911	465,480	70,142	111,900	423,722
Resale Property	1,157,789	516,509	369,973	1,304,325
County Sinking	36,974	6,067	-	43,041
E-911 Phase 2	41,853	132,771	97,256	77,368
Federal Grant - HVAC	401	-	-	401
CBRIF	565,063	314,781	267,047	612,797
CBRIF-105	138,781	-	-	138,781
Creek County Civil Emergency	73,169	1,000	1,254	72,915
Juvenile Justice Center M&O	1,468,872	1,124,382	997,722	1,595,532
County Improvement Debt Service	-	1,019,715	1,019,715	-
Court Clerk Court Fund Payroll	12,167	303,500	298,017	17,650
Flood Plain	5,643	2,000	291	7,352
Assessor Revolving	59,520	6,661	6,592	59,589
Creek County Free Fair Rental	113,471	30,804	61,792	82,483
Mortgage Tax Certification Fee	57,894	11,110	48,411	20,593
County Clerk Lien Fee	239,743	37,788	17,906	259,625
County Clerk Preservation Fee	252,026	73,343	27,078	298,291
Planning and Urban Development	29,736	9,109	5,285	33,560
Courthouse Remodel	112,902	31,972	20,238	124,636
Drug Court	54,691	229,352	212,522	71,521
Circuit Engineering District 1	86,443	50,000	95,198	41,245
Creek County Election Board	531	-	-	531
Combined Total - All County Funds as Restated	\$ 13,025,708	\$ 24,394,215	\$ 22,310,683	\$ 15,109,240

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

**CREEK COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

B. Fund Accounting

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

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

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

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

Highway Sales Tax – accounts for revenues from a county sales tax and disbursements are for the retirement of bonds issued to construct county roads and bridges.

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

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

**CREEK COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Community Development – accounts for the collections of Rural Economic Action Plan (REAP) grant monies from Indian Nations Council of Governments (INCOG) for the purpose of purchasing goods or services for rural fire departments.

General Administration – accounts for revenues from a use tax charged to out-of-county vendors on in-county sales and disbursed per Board of County Commissioners (BOCC) resolution.

County Jail Sales Tax – accounts for revenues from a county sales tax. Disbursements to be used to acquire, construct, and equip the county jail facility.

County Jail Maintenance – accounts for revenues from a county sales tax. Disbursements are for the maintenance of the county jail.

Sheriff Board of Prisoners – accounts for revenues from fees charged for boarding prisoners of non-county entities in the county jail. Disbursements are for feeding and housing inmates of the county jail.

WR-911 – accounts for revenues from 911 telephone service fees. Disbursements are for operating the 911 services.

Resale Property – accounts for revenues from interest and penalties on delinquent ad valorem taxes. Disbursements are to offset the expense of collecting delinquent ad valorem taxes.

County Sinking – accounts for debt service receipts derived generally from a special ad valorem tax levy and from interest earned on investments of cash not immediately required for debt service payments.

E-911 Phase 2 – accounts for revenues from Indian Nations Council of Governments (INCOG). Disbursements are for operating the 911 services.

Federal Grant - HVAC – accounts for grant monies to be disbursed for the purpose of replacing heating, ventilating, and air conditioning.

CBRIF – accounts for monies received from the State of Oklahoma and disbursements are for the purpose of constructing and maintaining county roads and bridges.

CBRIF-105 – accounts for monies received from the State of Oklahoma and disbursements are for the purpose of constructing and maintaining county roads and bridges.

Creek County Civil Emergency – accounts for the collection of grant monies to be disbursed for the purpose of county-wide emergency management.

**CREEK COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Juvenile Justice Center M&O – accounts for county sales tax monies to be disbursed for the purpose of Juvenile Justice Center maintenance and operations.

County Improvement Debt Service – accounts for county sales tax monies to be disbursed for the payment of bond indebtedness.

Court Clerk Court Fund Payroll – accounts for funds deposited by the Court Clerk and disbursed for payroll for the office.

Flood Plain – accounts for monies collected for flood plain permits and disbursed for flood plain training and certifications.

Assessor Revolving – accounts for revenues from fees collected by the County Assessor. Disbursements are to maintain electronic databases and geographic information systems in the Assessor's office.

Creek County Free Fair Rental – accounts for receipts from the OSU Extension Center for the operations of the Creek County Free Fair.

Mortgage Tax Certification Fee – accounts for revenues from a fee for certifying mortgages. Disbursements are restricted per state statute.

County Clerk Lien Fee – accounts for revenues from a fee charged by the County Clerk for filing liens. Disbursements are restricted per state statute.

County Clerk Preservation Fee – accounts for revenues from a fee charged by the County Clerk for recording instruments. Disbursements are for the maintenance and preservation of public records.

Planning and Urban Development – accounts for receipts for services rendered by the Planning and Urban Development office. Disbursements are for the payment of expenses of the Planning and Urban Development office.

Courthouse Remodel – accounts for revenues from the Court Clerk's funds. Disbursements are for the remodel of the court rooms.

Drug Court – accounts for state funds and collections of penalties for operational expenses of processing drug offenders.

Circuit Engineering District 1 – accounts for receipts from Circuit Engineering District 1 for the purpose of constructing county roads and bridges.

Creek County Election Board – accounts for state receipts and disbursements are for the salaries of the election board secretary and precinct workers.

**CREEK COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

C. Basis of Accounting

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

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

D. Budget

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

E. Cash and Investments

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

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

**CREEK COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

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

2. Ad Valorem Tax

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

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

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.

**CREEK COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

B. Other Post Employment Benefits (OPEB)

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

C. Contingent Liabilities

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

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

D. Sales Tax

Sales Tax of November 13, 2001

The voters of Creek County approved a one percent (1%) sales tax in a special election held on November 13, 2001, of which the remaining one-third percent (1/3%) is continual. This sales tax was established to provide revenue as follows:

- One-third percent (1/3%) is used to pay operational and maintenance expenses on the County jail facility. This sale tax is to continue on a permanent or unlimited basis. These funds are accounted for in the County Jail Sales Tax fund.

Sales Tax of November 4, 2008

The voters of Creek County approved to make permanent a currently existing county excise (sales) tax of one-third of one percent (1/3%) in a special election held on November 4, 2008. This sales tax revenue shall be used as follows:

- One-sixth percent (1/6%) is used to pay debt service on bonds or notes issued by the Creek County Public Facilities Authority. The proceeds of which are to be used to: (i) acquire,

**CREEK COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

construct and equip the county jail facility; (ii) acquire, construct and equip a Juvenile Justice Center; (iii) finance capital improvements to various county buildings and the county highway system. These funds are accounted for in County Improvement Debt Service fund.

- One-sixth percent (1/6%) is used for the operation and maintenance of the Juvenile Justice Center and all necessary and related services of said Juvenile Justice Center. These funds are accounted for in Juvenile Justice Center M&O fund.

Sales Tax of August 23, 2016

The voters of Creek County approved a one-third percent (1/3%) sales tax in an election held on August 23, 2016. This sales tax was established to provide revenue as follows:

- Sales tax is used to pay debt service on bonds or notes issued by the Creek County Public Facilities Authority. The proceeds of which are to be used for the purpose of constructing and maintaining roads, bridges and improvements to the County Highway system and to pay debt incurred on the County's behalf. This sales tax is not to exceed ten (10) years. These funds are accounted for in Highway Sales Tax fund.

E. Restatement of Fund Balance

During the fiscal year, the County had a reclassification of funds. The Flood Plain fund was reclassified as a county fund and represents accounts for monies collected for flood plain permits and disbursed for flood plain training and certifications.

Prior year ending balance, as reported	\$13,020,065
Funds reclassified to County Funds:	
Flood Plain reclassified from a	
Trust and Agency Fund to a County Fund	<u>5,643</u>
Prior year ending balance, as restated	<u>\$13,025,708</u>

SUPPLEMENTARY INFORMATION

CREEK COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—
BUDGETARY BASIS—GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	General Fund		
	Budget	Actual	Variance
District Attorney - County	\$ 41,214	\$ 40,390	\$ 824
County Sheriff	1,344,098	1,322,305	21,793
County Treasurer	320,187	296,429	23,758
County Commissioners	107,397	102,594	4,803
OSU Extension	161,085	149,733	11,352
County Clerk	341,417	340,558	859
Court Clerk	419,451	419,136	315
County Assessor	281,087	279,822	1,265
Revaluation of Real Property	400,298	382,658	17,640
Juvenile Shelter Bureau	5,000	3,381	1,619
General Government	2,520,402	2,067,591	452,811
Excise-Equalization Board	5,000	4,422	578
County Election Board	179,557	172,521	7,036
Purchasing Agent	60,404	59,217	1,187
Charity	14,500	13,570	930
Metro Planning	210,000	167,832	42,168
Civil Defence	58,041	52,500	5,541
Highway Budget Account	50,817	817	50,000
County Audit Budget Account	167,396	167,396	-
Building Maintenance Account	186,702	62,122	124,580
Free Fair Budget Account	264,861	264,639	222
Total Expenditures, Budgetary Basis	<u>\$ 7,138,914</u>	<u>\$ 6,369,633</u>	<u>\$ 769,281</u>

**CREEK COUNTY, OKLAHOMA
 COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—
 BUDGETARY BASIS—HEALTH FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Health Fund		
	Budget	Actual	Variance
Health and Welfare	\$ 1,539,942	\$ 926,896	\$ 613,046
Total Expenditures, Budgetary Basis	\$ 1,539,942	\$ 926,896	\$ 613,046

**CREEK COUNTY, OKLAHOMA
NOTE TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

**CREEK COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. DEPARTMENT OF DEFENSE			
Direct Grant			
Payments to States in Lieu of Real Estate Taxes	12.112	N/A	\$ 5,644
Total U.S. Department of Defense			<u>5,644</u>
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	16317	2,226,135
Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)	14.269	16318	407,465
Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)	14.269	16323	7,308
Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)	14.269	16567	2,028
Total U.S. Department of Housing and Urban Development			<u>2,642,936</u>
U.S. DEPARTMENT OF INTERIOR			
Direct Grant			
Payments in Lieu of Taxes	15.226	N/A	64,658
Total U.S. Department of Interior			<u>64,658</u>
U.S. DEPARTMENT OF JUSTICE			
Passed Through the Office of Juvenile Affairs:			
Crime Victim Assistance	16.575	N/A	2,055
Total U.S. Department of Justice			<u>2,055</u>
U.S. DEPARTMENT OF TRANSPORTATION			
Passed Through the Oklahoma Highway Safety Office:			
State and Community Highway Safety	20.600	OP-18-03-03-07	13,357
Total U.S. Department of Transportation			<u>13,357</u>
Total Expenditures of Federal Awards			<u>\$ 2,728,650</u>

CREEK COUNTY, OKLAHOMA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of Creek 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

Creek 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
CREEK 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 Creek County, Oklahoma, as of and for the year ended June 30, 2018, and the related notes to the financial statement, which collectively comprises Creek County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated September 2, 2021.

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, 2018, 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 Creek 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 Creek County's internal control. Accordingly, we do not express an opinion on the effectiveness of Creek 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: 2018-002, 2018-012 and 2018-013.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Creek 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2018-012 and 2018-013.

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

Creek County's Response to Findings

Creek County's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Creek 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

September 2, 2021

**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
CREEK COUNTY, OKLAHOMA

Report on Compliance for Each Major Federal Program

We have audited the compliance of Creek County, Oklahoma, with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Creek County's major federal program for the year ended June 30, 2018. Creek 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 Creek 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 Creek County's compliance.

Opinion on Each Major Federal Program

In our opinion, Creek 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, 2018.



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 2018-007, 2018-008, 2018-009 and 2018-010. Our opinion on the major federal program is not modified with respect to these matters.

Creek County's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Creek 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 Creek 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 Creek 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 Creek 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 a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2018-006, that we consider to be a material weakness.

Creek County's Response to Findings

Creek 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. Creek 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

September 2, 2021

**CREEK COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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? None reported

Noncompliance material to the financial statement 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

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.269	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

**CREEK COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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 2018-002 - Lack of Internal Controls Over the Financial Statement Presentation (Repeat Finding - 2015-020, 2016-020, 2017-020)

Condition: The County has not designed and implemented internal controls to ensure the accurate presentation of the County’s financial statement. During the review and reconciliation of the financial statement, as initially prepared by the County, we determined that due to the misclassification of County Funds, the balances, apportionments, and disbursements were misstated as shown below:

	Beginning Cash Balances July 1, 2017	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2018
Initial	\$15,043,822	\$23,525,189	\$21,195,407	\$17,373,604
Amended	<u>13,025,708</u>	<u>24,394,215</u>	<u>22,310,683</u>	<u>15,109,240</u>
Variance	<u>\$ 2,018,114</u>	<u>\$ (869,026)</u>	<u>\$ (1,115,276)</u>	<u>\$ 2,264,364</u>

Cause of Condition: Policies and procedures have not been designed and implemented to ensure that the County’s financial statement is accurately presented.

Effect of Condition: This condition resulted in the balances, apportionments, and disbursements for County funds to be materially misstated on the County’s financial statement.

Recommendation: The Oklahoma State Auditor and Inspector’s Office (OSAI) recommends the County design and implement policies and procedures to ensure the County’s financial statement is accurately presented.

Management Response:

Chairman of the Board of County Commissioners: The County recognizes the Trust accounts materially misrepresented the County’s financial position; therefore, the County has amended its financial statement for fiscal year 2018 to accurately reflect the financial statement to exclude Trust account monies.

County Treasurer: During the audit, it was brought to our attention the Trust and Agency accounts, as well as misclassified transfers, misrepresented the County’s financial position. Therefore, the County amended its financial statement for the fiscal year 2018 to accurately reflect the financial statement. Additionally, our office has implemented policies and procedures to ensure the financial statement is accurate.

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

**CREEK COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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 – Principle 14 – Communicate Internally – 14.01 states in part:

Management should internally communicate the necessary quality information to achieve the entity’s objectives.

Additionally, Principle 14 – Communication throughout the Entity states:

14.02 – Management communicates quality information throughout the entity using established reporting lines. Quality information is communicated down, across, up, and around reporting lines to all levels of the entity.

14.04 – Management receives quality information about the entity’s operational processes that flows up the reporting lines from personnel to help management achieve the entity’s objectives.

Additionally, Principle 16 – Perform Monitoring Activities states in part:

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

Additionally, GAO Standards OV2.21 states in part: “Reporting objectives relate to the preparation of reports for use by the entity, its stakeholders, or other external parties. Objectives related to gathering and communication information needed by management to support decision making and evaluation of the entity’s performance.

Additionally, the limitations of the auditor are described in the American Institute of Certified Public Accountants Clarified Statements on Auditing Standards AU-C § 210, which states, in part:

Agreement of the Responsibilities of Management

“The concept of an independent audit required that the auditor’s role does not involve assuming management’s responsibility for the preparation and fair presentation of the financial statements or assuming responsibility for the entity’s related internal control and that the auditor has a reasonable expectation of obtaining the information necessary for the audit insofar as management is able to provide or procure it. Accordingly, the premise is fundamental to the conduct of an independent audit.”

**CREEK COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Finding 2018-012 – Lack of Internal Controls and Noncompliance Over Disbursements (Repeat Finding – 2016-002, 2017-002)

Condition: During our test of fifty-three (53) disbursements, it was noted that:

- Seven (7) disbursements totaling \$2,329,233 were not timely encumbered.

Cause of Condition: Policies and procedures have not been designed and implemented regarding the disbursement process to strengthen internal controls and ensure compliance with state statute.

Effect of Condition: These conditions resulted in noncompliance with state statute and could result in unauthorized transactions, unrecorded transactions, undetected errors, inaccurate records, incomplete information, and misappropriation of funds.

Recommendation: OSAI recommends the County implement internal control procedures to ensure compliance with purchasing guidelines. All purchases should be properly requisitioned, encumbered, approved, and received with proper supporting documentation attached.

Management Response:

Chairman of the Board of County Commissioners: Management is aware of the condition and is currently creating a County Policy to educate employees for proper process compliance. As new employees are hired, and from time to time, the County has and will continue to educate employees as to the most current disbursement requirements.

County Clerk: As you have seen with time, we are trying to implement a process to control unencumbered purchases, that are not timely encumbered. At the end of the day, we still have to pay the bill, but are working with departments, educating them on the importance of a timely encumbrance. During fiscal year 2018, the County was working with grant funds and has since developed a better process for encumbering funds for these grants.

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

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

**CREEK COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Finding 2018-013 – Lack of Internal Controls and Noncompliance Over Disbursements of Bond Payments (Repeat Finding - 2016-018, 2017-018)

Condition: While gaining an understanding of internal controls and testing of disbursements, we noted thirteen (13) automatic withdrawals totaling \$741,173 issued to a financial institution for bond/debt payments owed by the Creek County Public Facilities Authority. These disbursements were not issued through purchase orders or supported by adequate documentation. Additionally, these disbursements showed no evidence of Board of County Commissioner (BOCC) approval.

Sales tax agreements between the Creek County Public Facilities Authority and the BOCC of Creek County require all designated proceeds received by the County to be appropriated to the Authority. All designated sales tax revenues were not appropriated to the Authority in accordance with agreements.

Cause of Condition: The County did not follow the policies and procedures designed by state statute regarding the purchasing process. Further, the County did not follow the terms established by the sales tax agreements.

Effect of Condition: While bank statements and supporting documentation confirmed all authority bond payments were properly and timely submitted, these conditions resulted in noncompliance with state statute and violated the terms of the sales tax agreement. Additionally, these conditions could result in unrecorded transactions, undetected errors, and misappropriation of funds, inaccurate records, and incomplete information.

Recommendation: OSAI recommends that the County implement internal control procedures to ensure compliance with purchasing guidelines. Purchase orders with adequate supporting documentation should be presented to the BOCC for payment approval. Additionally, OSAI recommends that the County implement internal control procedures to ensure compliance with the terms of agreements entered into by the County.

Management Response:

Chairman of the Board of County Commissioners: The County recognizes that past bond fund payment obligations were automated to ensure timely payments. However, because of the automated process, the actual approval process bypassed purchasing guidelines and appropriate approvals, including the BOCC approval. The County has noted the failure to follow the appropriate purchasing processes and has discussed the issue with the current elected officials, including documenting the failure and future requirement to discontinue the automated process. The old practice was not a policy, but a previously unnoticed practice of a former employee. The practice has been terminated and the proper procedure is now in place.

County Clerk: In fiscal year 2018, with the last audit findings, we have since corrected the way the Public Facility pays the outstanding bonds. This transition started February of 2019. The County Clerk's office will continue to work diligently, on trying to educate the Department on the purchasing procedures and work on the County Clerk's process, for marking such purchases that may not follow the proper purchasing procedures.

**CREEK COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

Objectives of an Entity – Compliance Objectives

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

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

Further, the Sales Tax Agreement executed October 1, 2012 between the Creek County Public Facilities Authority and the Board of County Commissioners of Creek County appropriates proceeds from the one third percent (1/3%) sales tax approved in a special election held on November 4, 2008 that continues on a permanent basis.

The Sales Tax Agreement states in part, “The County agrees, subject to availability and appropriation of funds, to transfer, as received, to the Authority, and hereby appropriates to the Authority all proceeds of the Sales Tax (hereinafter referred to as the "Sales Tax Payments") on or before the 1st day of each month, beginning on the date hereof, to be used as provided in the 2012 Indenture.” Additionally, the Sales Tax Agreement executed February 11, 2014 between the Creek County Public Facilities Authority and the Board of County Commissioners of Creek County appropriates proceeds from the one-third percent (1/3%) sales tax approved in a special election held on November 5, 2005 that is not to exceed ten (10) years in duration. The Sales Tax Agreement states in part, “The County agrees, subject to availability and appropriation of funds, to transfer, as received, to the Authority, and hereby appropriates to the Authority one-third (representing Commissioners District 1 share) of the proceeds of the Sales Tax (hereinafter referred to as the "Sales Tax Payments") on or before the 1st day of each month, beginning on the date hereof, to be used as provided in the Resolution.

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 2018-006 - Lack of Internal Controls Over Major Federal Programs – Hurricane Sandy Community Development Block Grants CDBG-DR (Repeat Finding - 2016-013, 2017-013)

PASS-THROUGH GRANTOR: Oklahoma Department of Commerce

FEDERAL AGENCY: U.S. Department of Housing and Urban Development

CFDA NO: 14.269

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

FEDERAL AWARD NUMBER: 16317 CDBG-DR 13, 16318 CDBG-DR 13

FEDERAL AWARD YEAR: 2018

**CREEK COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

CONTROL CATEGORY: Reporting, Procurement, Period of Performance, and Equipment and Real Property Management

QUESTIONED COSTS: \$-0-

Condition: During the process of documenting the County's internal controls over compliance with requirements of the federal award, we noted that Creek County has not established procedures to ensure compliance with the following compliance requirements: Reporting, Procurement, Period of Performance, and Equipment and Real Property Management.

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

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

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

Management Response:

Chairman of the Board of County Commissioners: The federal audit over Community Development Block Grant funds (CDBG) revealed that some federal disbursement processes need to be added/changed for the compliance requirements. The County encountered turnover of the BOCC First Deputy during the reporting period. This turnover resulted in a new employee that had not been properly educated on the Federal Award policy and reporting requirements. The result was incorrect reporting with errors as revealed during the audit. The County recognizes the need to ensure that it has more than one employee familiar with the Federal Awards policy and requirements, purchasing guidelines and appropriate approvals, including the BOCC office. This requirement will be included in the education requirement policy for BOCC First and Second Deputies when/if federal grants are received in the future.

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

Objectives of an Entity – Compliance Objectives

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

2 CFR § 200.303(a) *Internal Controls* reads as follows:

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

**CREEK COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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).

Finding 2018-007 – Noncompliance with Reporting Over Federal Grant (Repeat Finding - 2016-017, 2017-017)

PASS-THROUGH GRANTOR: Oklahoma Department of Commerce

FEDERAL AGENCY: U.S. Department of Housing and Urban Development

CFDA NO: 14.269

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

FEDERAL AWARD NUMBER: 16317 CDBG-DR 13, 16318 CDBG-DR 13, 16323 CDBG-DR 13

FEDERAL AWARD YEAR: 2018

CONTROL CATEGORY: Reporting

QUESTIONED COSTS: \$-0-

Condition: While reviewing 100% of thirteen (13) expenditure reports submitted totaling \$ 2,642,937; the following exceptions were noted:

- Four (4) expenditure reports totaling \$307,280 were not submitted by the 10th of the following month after expenditure of funds.

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

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

Recommendation: OSAI recommends the County gain an understanding of the reporting requirements for this grant and implement internal controls to ensure monthly expenditure reports are submitted by the tenth (10th) of the month following the receipt and/or expenditure of funds.

Management Response:

Chairman of the Board of County Commissioners: In the future the County will pay better attention to dates regarding processing of paperwork. County Management acknowledges the late reporting and will include this requirement as a necessary education point with the appropriate employees handling future federal program reporting.

Criteria: Title 2 *CFR* § 200.303 *Internal Controls (a)(b)* reads as follows:

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

**CREEK COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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.

Further, contracts executed for the CDBG-Disaster Recovery Grant between the Oklahoma Department of Commerce and Creek County Board of County Commissioners (Contractor) include provisions regarding reporting requirements by the contractor. Section 12 (b)(1) states in part, “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.”

Finding 2018-008 – Noncompliance with Procurement Over Federal Grant (Repeat Finding 2016-016, 2017-016)

PASS-THROUGH GRANTOR: Oklahoma Department of Commerce

FEDERAL AGENCY: U.S. Department of Housing and Urban Development

CFDA NO: 14.269

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

FEDERAL AWARD NUMBER: 16317 CDBG-DR 13, 16318 CDBG-DR 13

FEDERAL AWARD YEAR: 2018

CONTROL CATEGORY: Procurement and Suspension and Debarment

QUESTIONED COSTS: \$-0-

Condition: The audit of 100% of federal expenditures, totaling \$2,642,937, that were required to be bid indicated the following:

- The awarded bid amounts were not provided to county management approving the purchases because bid advertisements from the nationwide bid association did not contain the awarded bid amounts.
 - Grant 16317 CDBG-DR 13 for \$2,108,758
 - Grant 16318 CDBG-DR 13 for \$347,465

Cause of Condition: Policies and procedures have not been designed and implemented to ensure proper bid documentation is retained and additional items above the advertised bid were bid in accordance with state and federal laws and regulations.

Effect of Condition: This condition resulted in noncompliance with State and Federal laws and regulations.

**CREEK COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Recommendation: OSAI recommends the County ensure proper documentation for bids are retained and the additional options above the advertised bids are bid in accordance with State and Federal laws and regulations.

Management Response:

Chairman of the Board of County Commissioners: County Management recognizes the need to include documentation to help support the purchasing process in the future. This will be noted for future federal programs.

Criteria: Title 19 O.S. § 1501(o)(4) states:

“the vendor awarded the bid is willing and able to provide the item or items at the bid price.”

Additionally, 2 CFR § 200.320(c) states in part:

“Procurement by sealed bids (formal advertising). Bids are publicly solicited, and a firm fixed price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforming with all the material terms and conditions of the invitation for bids, is the lowest in price.”

Finding 2018-009 – Noncompliance with Period of Performance Over Federal Grants (Repeat Finding - 2016-015, 2017-015)

PASS-THROUGH GRANTOR: Oklahoma Department of Commerce

FEDERAL AGENCY: U. S. Department of Housing and Urban Development

CFDA NO: 14.269

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

FEDERAL AWARD NUMBER: 16317 CDBG-DR 13, 16318 CDBG-DR 13

FEDERAL AWARD YEAR: 2018

CONTROL CATEGORY: Period of Performance

QUESTIONED COSTS: \$-0-

Condition: In testing 100% of the contract transactions occurring during the audit period, which totaled \$2,642,937; the following items were noted:

Contracts 16317 CDBG-DR 13 and 16318 CDBG-DR 13 did not meet the required *Authority to Use Grant Funds* (Release of Funds) requirements within one hundred twenty (120) days after the beginning of the contract authorization date. The noncompliance for these contracts totals \$2,633,600.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure *Authority to Use Grant Funds* requirements are timely performed and submitted to the grant awarding agency.

Effect of Condition: This condition resulted in noncompliance with grant contract terms and conditions and federal regulations.

**CREEK COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Recommendation: OSAI recommends the county ensure all required reporting procedures are timely performed and submitted to the grant awarding agency.

Management Response:

Chairman of the Board of County Commissioners: County Management is aware of the finding and is reviewing to determine the proper process changes that may be necessary to eliminate the issue. A letter requesting extensions may be necessary when issues require timing delays of a project.

Criteria: 2 CFR § 200.77 states:

“Period of performance means the time during which the non-Federal entity may incur new obligations to carry out the work authorized under the Federal award. The Federal awarding agency or pass-through entity must include start and end dates of the period of performance in the Federal award (see §§200.210 Information contained in a Federal award paragraph (a)(5) and 200.331 Requirements for pass-through entities, paragraph (a)(1)(iv)).”

Additionally, the grant contract states in section 13 subparagraph b in part:

“The Contractor shall meet required Authority to Use Grant Funds (Release of Funds) requirements within one hundred twenty (120) days after the beginning of the contract period....”

Finding 2018-010 – Noncompliance with Equipment and Real Property Over Federal Grants (Repeat Finding - 2016-014, 2017-014)

PASS-THROUGH GRANTOR: Oklahoma Department of Commerce

FEDERAL AGENCY: U. S. Department of Housing and Urban Development

CFDA NO: 14.269

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

FEDERAL AWARD NUMBER: 16317 CDBG-DR 13, 16318 CDBG-DR 13

FEDERAL AWARD YEAR: 2018

CONTROL CATEGORY: Equipment and Real Property Management

QUESTIONED COSTS: \$-0-

Condition: Inventory is not being physically verified for existence and accuracy or filed with the County Clerk. Inventory expenditures totaled \$2,456,223.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure inventory is being physically verified for existence and accuracy or filed with the County Clerk.

Effect of Condition: This condition resulted in noncompliance with state statute and federal laws and regulations.

**CREEK COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Recommendation: OSAI recommends that all equipment purchased be filed with the County Clerk and annually, thereafter, all inventories shall be verified, and documentation of the verification filed with the County Clerk.

Management Response:

Chairman of the Board of County Commissioners: County Management recognizes the annual requirements for a physical inventory of all purchased equipment under the federal programs and will comply. The inventory verification process will be shared with INCOG for items at rural fire districts that were purchased by the County on behalf of the rural fire districts. The County will include these items with the County owned and verified equipment purchased through the federal programs.

Criteria: Title 19 O.S. § 178.3(A) states:

“The county clerk shall be custodian and repository of all inventory records, files and reports.”

Additionally, 2 CFR § 200.313(d)(2) states:

“A physical inventory of the property must be taken, and the results reconciled with the property records at least once every two years.”

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

Finding 2018-001 - Lack of Internal Controls and Noncompliance Over the Inmate Trust Fund Checking Account and Sheriff Commissary Fund (Repeat Finding)

Condition: Regarding the Inmate Trust Fund Checking Account and Sheriff Commissary Fund, the following weaknesses were noted:

- One employee collects cash from kiosk machine and the drop box, inputs inmate information into the commissary system program, adds funds to inmates’ accounts, prepares deposits, performs bank reconciliations, and closes the inmates’ accounts.
- One employee prepares disbursements, prints checks, authorizes checks by signing for both signatures, has access to phone card inventory, inputs phone card sales into the system, collects phone card monies, and prepares phone card deposits.
- Collections were not deposited daily.
- The Inmate Trust Fund Checking Account balance was not reconciled to the inmates’ ledger balance timely.
- There is no policy or procedure regarding unclaimed funds.
- An annual commissary report was not filed with the Board of County Commissioners by January 15th of each year.

**CREEK COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

Effect of Condition: These conditions resulted in noncompliance with state statutes. 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.
- All collections should be deposited daily.
- Inmate Trust Fund Checking Account monies should be maintained in a manner that reflects each inmate's trust deposits, disbursements, and account balances. The inmate's trust fund balance should be reconciled to the total of inmate's balance with someone other than the preparer reviewing it.
- Unclaimed inmate monies should follow unclaimed property procedures in accordance with state statute.
- An annual commissary report should be submitted to the Board of County Commissioners by January 15th, of each year in accordance with state statute.

Management Response:

County Sheriff:

- Two employees collect the money from the drop box and the kiosk. Both employees verify the totals and then turn over the money to the onsite jail clerk who verifies the amount and creates the deposit slip. An on-duty dispatcher then verifies the amounts to reconcile the deposit slip and money. A commissioned deputy then takes the money and deposit slip to the bank then returns the deposit slip to the jail administrative assistant. This procedure went into effect January 1, 2019.
- The employee responsible for authorizing checks is not the same employee that collects monies or prepares the deposit. The only checks disbursed from that account are to released inmates or the Sheriff's Office. Creek County Jail no longer has phone cards as of July 2018. This procedure went into effect January 1, 2019.
- All deposits are made during banking business hours on standard business days. On the days that the banks are closed, the monies are secured in the lockbox or kiosk until the next business day. The only access to the kiosk and lockbox is by the Jail Administrator and/or Assistant Administrator with a witness. This procedure went into effect January 1, 2019.
- Staff members are directed to reconcile the ledgers promptly as bank statements are received. The Chief Deputy and Assistant Jail Administrator are responsible for ensuring the process is completed. Monthly reconciliation reports are available for the year 2018. The account was reconciled August 8, 2018.
- We do have a policy for unclaimed property: 3.48 Inmate Property. This policy does not specify monies or funds. We plan to meet with Creek County's legal counsel to direct us on what procedure should be implemented and a viable expectation of how often the procedure should occur.

**CREEK COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

- The annual commissary report was filed with the BOCC in September of 2020. Sheriff's Office staff remembers reporting before September 2020 but were unable to find documentation of the report.

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

Internal Control System Monitoring

Management performs ongoing monitoring of the design and operating effectiveness of the internal control system as part of the normal course of operations. Ongoing Monitoring includes regular management and supervisory activities, comparisons, reconciliations, and other routine actions. Ongoing monitoring may include automated tools, which can increase objectivity and efficiency by electronically compiling evaluations of controls and transactions.

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, “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) prescribes the procedures for handling unclaimed property.

APPENDIX A

CORRECTIVE ACTION PLAN

(Prepared by County Management)

Board of County Commissioners

COMMISSIONERS

1st District
NEWT STEPHENS
 2nd District
LEON WARNER
 3rd District
ROGER SMITH



Creek County

Collins Building
 317 East Lee, Suite #103
 Sapulpa, Oklahoma 74066

(918) 224-0278
 Fax (918) 227-6308

Corrective Action Plan in accordance with 2 CFR § 200.511c for the fiscal year ended June 30, 2018

Finding No.	Title (Financial) or CFDA No. & Program Name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2018-002	Lack of Internal Controls Over the Financial Statement Presentation	During the audit, it was brought to our attention the Trust and Agency accounts, as well as misclassified transfers, misrepresented the County's financial position. Therefore, the County amended its financial statement for the fiscal year 2018 to accurately reflect the financial statement. Additionally, our office has implemented policies and procedures to ensure the financial statement is accurate.	7-26-21	Don Engle, County Treasurer
2018-012	Lack of Internal Controls and Noncompliance Over Disbursements	Management is aware of the condition and is currently creating a County Policy to educate employees for proper process compliance. As new employees are hired, and from time to time, the County has and will continue to educate employees as to the most current disbursement requirements.	12-31-21	Newt Stephens, BOCC Chairman
2018-013	Lack of Internal Controls and Noncompliance Over Disbursements of Bond Payments	The County recognizes that past bond fund payment obligations were automated to ensure timely payments. However, because of the automated process, the actual approval process bypassed purchasing guidelines and appropriate approvals, including the BOCC approval. The County has noted the failure to follow the appropriate purchasing processes and has discussed the issue with the current elected officials, including documenting the failure and future requirement to discontinue the automated process. The old practice was not a policy, but a previously un-noticed practice of a former employee. The practice has been terminated and the proper procedure is now in place.	7-1-18	Newt Stephens, BOCC Chairman
2018-006	14.269 – Hurricane Sandy Community Development Block Grant	The federal audit over Community Development Block Grant funds (CDBG) revealed that some federal disbursement processes need to be added/changed for the compliance requirements. The County encountered turnover of the BOCC	12-31-21	Newt Stephens, BOCC Chairman

	Disaster Recover Grants CDBG-DR)	First Deputy during the reporting period. This turnover resulted in a new employee that had not been properly educated on the Federal Award policy and reporting requirements. The result was incorrect reporting with errors as revealed during the audit. The County recognizes the need to ensure that it has more than one employee familiar with the Federal Awards policy and requirements, purchasing guidelines and appropriate approvals, including the BOCC office. This requirement will be included in the education requirement policy for BOCC First and Second Deputies when/If Federal Grants are received in the future.		
2018-007	14.269 – Hurricane Sandy Community Development Block Grant Disaster Recover Grants CDBG-DR)	In the future the county will pay better attention to dates regarding processing of paperwork. County Management acknowledges the late reporting and will include this requirement as a necessary education point with the appropriate employees handling future federal program reporting.	12-31-21	Newt Stephens, BOCC Chairman
2018-008	14.269 – Hurricane Sandy Community Development Block Grant Disaster Recover Grants CDBG-DR)	County Management recognizes the need to include documentation to help support the purchasing process in the future. This will be noted for future federal programs.	12-31-21	Newt Stephens, BOCC Chairman
2018-009	14.269 – Hurricane Sandy Community Development Block Grant Disaster Recover Grants CDBG-DR)	County Management is aware of the finding and is reviewing to determine the proper process changes that may be necessary to eliminate the issue. A letter requesting extensions may be necessary when issues require timing delays of a project.	12-31-21	Newt Stephens, BOCC Chairman
2018-010	14.269 – Hurricane Sandy Community Development Block Grant Disaster Recover Grants CDBG-DR)	County Management recognizes the annual requirements for a physical inventory of all purchased equipment under the federal programs and will comply. The inventory verification process will be shared with INCOG for items at rural fire districts that were purchased by the County on behalf of the rural fire districts. The County will include these items with the County owned and verified equipment purchased through the federal programs.	12-31-21	Newt Stephens, BOCC Chairman

APPENDIX B

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

(Prepared by County Management)

Board of County Commissioners

COMMISSIONERS

1st District
NEWT STEPHENS
2nd District
LEON WARNER
3rd District
ROGER SMITH



Creek County

Collins Building
317 East Lee, Suite #103
Sapulpa, Oklahoma 74066

(918) 224-0278
Fax (918) 227-6308

Summary Schedule of Prior Audit Findings in accordance with 2 CFR § 200.511b for the fiscal year ended June 30, 2018

FINANCIAL AUDIT FINDINGS

Finding 2016-002, 2017-002

Inadequate Internal Controls and Noncompliance Over Disbursements

Finding Summary: Of sixty-nine (69) disbursements tested seven (7) disbursements were not timely encumbered

Status: Not Corrected. Management is aware of the condition and is currently creating a County Policy to educate employees for proper process compliance. As new employees are hired, and from time to time, the County has and will continue to educate employees as to the most current disbursement requirements.

Finding 2016-003, 2017-003

Inadequate Segregation of Duties Over the Payroll Process

Finding Summary: The Payroll Clerk enrolls new employees, inputs payroll information into the system, prepares the OPERS reports and state and federal tax reports. In addition, the Payroll Clerk maintains personnel files, makes payroll changes, prepares warrants, distributes warrants and maintains ledgers.

Status: Fully Corrected

Finding 2016-008, 2017-008

Inadequate Internal Controls and Noncompliance Over Disbursements of Bond Payments

Finding Summary: While gaining an understanding of internal controls and testing of disbursements, we noted eighteen (18) automatic withdrawals totaling \$958,449 issued to financial institution for bond/debt payments owed by the Creek County Public Facilities Authority. These disbursements were not issued through purchase orders or supported by adequate documentation. Additionally, these disbursements showed no evidence of Board of County Commissioners (BOCC) approval.

Sales tax agreements between the Creek County Public Facilities Authority and the BOCC of Creek County requires all designated proceeds received by the County to be appropriated to the Authority. All designated sales tax revenues were not appropriated to the Authority in accordance with agreements.

Status: Not Corrected. The County recognizes that past bond fund payment obligations were automated to ensure timely payments. However, because of the automated process, the actual approval process bypassed purchasing guidelines and appropriate approvals, including the BOCC approval. The County has noted the failure to follow the appropriate purchasing processes and has discussed the issue with the current elected officials, including documenting the failure and future requirement to discontinue the automated process. The old practice was not a policy, but a previously un-noticed practice of a former employee. The practice has been terminated and the proper procedure is now in place.

Finding 2015-20, 2016-020, 2017-020

Inadequate Internal Controls Over the Financial Statement Presentation

Finding Summary: The County has not designed and implemented internal controls to ensure the accurate presentation of the County's financial statement. During the review and reconciliation of the financial statement as initially prepared by the County, we determined that due to the misclassification of County Funds, the balances, apportionments, and disbursements

were misstated.

Status: Not Corrected During the audit, it was brought to our attention the Trust and Agency accounts, as well as misclassified transfers, misrepresented the County's financial position. Therefore, the County amended its financial statement for the fiscal year 2018 to accurately reflect the financial statement. Additionally, our office has implemented policies and procedures to ensure the financial statement is accurate.

Finding 2015-021, 2016-021, 2017-021

Inadequate Internal Controls and Noncompliance over sales Tax Disbursements

Finding Summary: Upon inquiry, observation, and review of documents, regarding the disbursement of sales tax funds the following was noted:

- Four (4) disbursements were not expended in accordance with the sales tax ballot and were not supported by adequate documentation.

Status: Fully Corrected

FEDERAL AUDIT FINDINGS

Finding 2016-011, 2017-011

Inadequate Internal Controls Over the Schedule of Expenditures of Federal Awards

Pass-Through Grantor: Oklahoma Department of Commerce

Federal Agency: U.S. Department of Housing and Urban Development

CFDA No: 14.269

Federal Program Name: Hurricane Sandy Community Development Block Grant Disaster Grants (CDBG-DR)

Federal Grant Award Number: 16286 CDBG-DR 13, 16317 CDBG-DR 13, 16318 CDBG-DR 13, 16319 CDBG-DR 13, 16320 CDBG-DR 13, 16321 CDBG-DR 13, 16322 CDBG DR, 16323 CDBG-DR 13, 16329 CDBG-DR 13, and 16567 CDBG-DR 13.

Federal Award Year: 2016

Control Category: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Equipment and Real Property Management; Matching, Level of Effort, Earmarking; Period of Availability; Procurement and Suspension and Debarment; Program Income; Reporting; Subrecipient Monitoring and Special Tests and Provisions

Questioned Costs: \$-0-

Finding Summary: The offices and/or departments within the County, that expended federal funds, have not designed, and implemented formal procedures for the reporting of its federal programs as required by 2 CFR 200.

The County failed to report the following expenditures on the Schedule of Federal Awards (SEFA):

- CFDA 12.112 Payments to States in Lieu of Real Estate Taxes - \$5,396
- CFDA 16.575 Crime Victim Assistance - \$24,500.
- CFDA 20.600 State and Community Highway Safety - \$100.
- CFDA 20.600 State and Community Highway Safety - \$15,360.
- CFDA 97.036 Disaster Grants – Public Assistance (Presidentially Declared Disaster) - \$34,883.

Additionally, Hurricane Sandy Community Development Block Grant Disaster Recover Grants (CDBG-DR), CFDA 14.269, expenditures were understated totaling \$1,233,690.

Further, non-federal expenditures received for Rural Economic Area Partnership (REAP grants) were reported on the Schedule of Federal Expenditures (SEFA) as Hurricane Sandy Community Development Block Grant Disaster Recover Grants (CDBG-DR), CFDA 14.269. These expenditures were overstated totaling \$10,063.

These errors resulted in a total of \$1,303,866 in federal expenditures not being reported on the SEFA.

Status: Fully Corrected

Finding 2016-012, 2017-012

Inadequate County Wide Internal Controls Over Major Federal Programs – CDBG-DR

Pass-Through Grantor: Oklahoma Department of Commerce

Federal Agency: U.S. Department of Housing and Urban Development

CFDA No: 14.269

Federal Program Name: Hurricane Sandy Community Development Block Grant Disaster Grants (CDBG-DR)

Federal Grant Award Number: 16286 CDBG-DR 13, 16317 CDBG-DR 13, 16318 CDBG-DR 13, 16319 CDBG-DR 13, 16320 CDBG-DR 13, 16321 CDBG-DR 13, 16322 CDBG DR, 16323 CDBG-DR 13, 16329 CDBG-DR 13, and 16567 CDBG-DR 13.

Federal Award Year: 2015

Control Category: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Equipment and Real Property Management; Period of Performance; Procurement and Suspension and Debarment; Reporting; Special Tests and Provisions

Questioned Costs: \$-0-

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

Status: Fully Corrected

Finding 2016-013, 2017-013

Inadequate Internal Controls Over Major Programs – CDBG-DR

Pass-Through Grantor: Oklahoma Department of Commerce

Federal Agency: U.S. Department of Housing and Urban Development

CFDA No: 14.269

Federal Program Name: Hurricane Sandy Community Development Block Grant Disaster Grants (CDBG-DR)

Federal Grant Award Number: 16286 CDBG-DR 13, 16317 CDBG-DR 13, 16318 CDBG-DR 13, 16319 CDBG-DR 13, 16320 CDBG-DR 13, 16321 CDBG-DR 13, 16322 CDBG DR, 16323 CDBG-DR 13, 16329 CDBG-DR 13, and 16567 CDBG-DR 13.

Federal Award Year: 2015

Control Category: Equipment and Real Property Management

Questioned Costs: \$-0-

Finding Summary: During the process of documenting the County's internal controls regarding federal disbursements, we noted that Creek County has not established procedures to ensure compliance with the following compliance requirements: Equipment and Real Property Management

Status: Not Corrected. The federal audit over Community Development Block Grant funds (CDBG) revealed that some federal disbursement processes need to be added/changed for the Equipment and Real Property Management and the Period of Performance compliance requirements. The County encountered turnover of the BOCC First Deputy during the reporting period. This turnover resulted in a new employee that had not been properly educated on the Federal Award policy and reporting requirements. The result was incorrect reporting with errors as revealed during the audit. The County recognizes the need to ensure that it has more than one employee familiar with the Federal Awards policy and requirements, purchasing guidelines and appropriate approvals, including the BOCC office. This requirement will be included in the education requirement policy for BOCC First and Second Deputies when/If Federal Grants are received in the future.

Finding 2016-014, 2017-014

Noncompliance with Equipment and Real Property management over Federal Grants

Pass-Through Grantor: Oklahoma Department of Commerce

Federal Agency: U.S. Department of Housing and Urban Development

CFDA No: 14.269

Federal Program Name: Hurricane Sandy Community Development Block Grant Disaster Grants (CDBG-DR)

Federal Grant Award Number: 16286 CDBG-DR 13, 16317 CDBG-DR 13, 16318 CDBG-DR 13, 16319 CDBG-DR 13, 16320 CDBG-DR 13, 16321 CDBG-DR 13, 16322 CDBG DR, 16323 CDBG-DR 13, 16329 CDBG-DR 13, and 16567 CDBG-DR 13.

Federal Award Year: 2015

Control Category: Equipment and Real Property Management

Questioned Costs: \$-0-

Finding Summary: Inventory is not being physically verified for existence and accuracy or filed with the County Clerk. Inventory expenditures totaled \$5,485,920.

Status: Not Corrected. County Management recognizes the annual requirements for a physical inventory of all purchased equipment under the federal programs and will comply. The inventory verification process will be shared with INCOG for items at rural fire districts that were purchased by the County on behalf of the rural fire districts. The County will include these items with the County owned and verified equipment purchased through the federal programs.

Finding 2016-015,2017-015

Noncompliance with Period of Performance Over Federal Grants

Pass-Through Grantor: Oklahoma Department of Commerce

Federal Agency: U.S. Department of Housing and Urban Development

CFDA No: 14.269

Federal Program Name: Hurricane Sandy Community Development Block Grant Disaster Grants (CDBG-DR)

Federal Grant Award Number: 16317 CDBG-DR 13 and 16318 CDBG-DR 13

Federal Award Year: 2015

Control Category: Period of Performance

Questioned Costs: \$-0-

Finding Summary: In testing 100% of the contract transactions occurring during the audit period, which totaled \$5,652,906; the following items were noted:

Contracts 16317 CDBG-DR 13 and 16318 CDBG-DR did not meet the required Authority to Use Grant Funds (Release of Funds) requirements within one hundred twenty (120) days after the beginning of the contract authorization date. The noncompliance for these contracts totals \$3,776,326.

Status: Not Corrected. County Management is aware of the finding and is reviewing to determine the proper process changes that may be necessary to eliminate the issue. A letter requesting extensions may be necessary when issues require timing delays of a project.

Finding 2016-016,2017-016

Noncompliance with Procurement Over Federal Grant

Pass-Through Grantor: Oklahoma Department of Commerce

Federal Agency: U.S. Department of Housing and Urban Development

CFDA No: 14.269

Federal Program Name: Hurricane Sandy Community Development Block Grant Disaster Grants (CDBG-DR)

Federal Grant Award Number: 16317 CDBG-DR 13, 16318 CDBG-DR 13, 16320 CDBG-DR 13, 16321 CDBG-DR 13, 16322 CDBG DR, 16323 CDBG-DR 13, 16329 CDBG-DR 13, and 16567 CDBG-DR 13.

Federal Award Year: 2015

Control Category: Procurement and Suspension and Debarment

Questioned Costs: \$-0-

Finding Summary: The audit of 100% of federal expenditures totaling \$5,652,906, representing ten (10) grants that were required to be bid, indicated the following:

- The awarded bid amounts were not provided to county management approving the purchases because bid advertisements from the nation-wide bid association did not contain the awarded bid amounts.
 - o Grant 16317 for \$2,820,036
 - o Grant 16318 for \$838,914
- Additional charges totaling \$180,357 could not be traced to the nation-wide bid association award documentation:
 - o Grant 16320 for \$78,053
 - o Grant 16321 for \$7,391
 - o Grant 16322 for \$9,720
 - o Grant 16323 for \$6,035
 - o Grant 16329 for \$71,858
 - o Grant 16567 for \$7,300

Additionally, one (1) of nine (9) SAM searches was not performed or retained.

Status: Not Corrected. County Management recognizes the need to include documentation to help support the purchasing process in the future. This will be noted for future federal programs.

Finding 2016-017,2017-017

Noncompliance with Reporting Over Federal Grant

Pass-Through Grantor: Oklahoma Department of Commerce

Federal Agency: U.S. Department of Housing and Urban Development

CFDA No: 14.269

Federal Program Name: Hurricane Sandy Community Development Block Grant Disaster Grants (CDBG-DR)

Federal Grant Award Number: 16317 CDBG-DR 13, 16318 CDBG-DR 13, 16319 CDBG-DR 13, 16320 CDBG-DR 13, 16321 CDBG-DR 13, 16322 CDBG DR, 16323 CDBG-DR 13 and 16329 CDBG-DR 13

Federal Award Year: 2015

Control Category: Reporting

Questioned Costs: \$-0-

Finding Summary: While reviewing 100% of the twenty (20) expenditure reports submitted totaling \$5,652,906 the following exceptions were noted:

- Thirteen (13) expenditure reports totaling \$5,279,562 were not submitted by the 10th of the following month after expenditure of funds.
- Ten (10) expenditure reports reflected expenditures totaling \$2,650,447 that were not reported in the proper period.

Status: Not Corrected. In the future the county will pay better attention to dates regarding processing of paperwork. County Management acknowledges the late reporting and will include this requirement as a necessary education point with the appropriate employees handling future federal program reporting.

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



Cindy Byrd, CPA | State Auditor & Inspector

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