



CREEK COUNTY

Financial Audit

For the fiscal year ended June 30, 2015

Cindy Byrd, CPA
State Auditor & Inspector

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

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Cindy Byrd, CPA | State Auditor & Inspector

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June 4, 2019

TO THE CITIZENS OF
CREEK COUNTY, OKLAHOMA

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

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

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

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

Sincerely,

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

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



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

Board of County Commissioners

District 1 – Newt Stephens
District 2 – Rick Stewart
District 3 – Lane Whitehouse

County Assessor

JaNell Enlow

County Clerk

Jennifer Mortazavi

County Sheriff

John Davis

County Treasurer

Byron Davis

Court Clerk

Amanda Vanorsdol

District Attorney

Max Cook

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

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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, 2015, and the related notes to the financial statement, which collectively comprise the County's basic financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

Our responsibility is to express an opinion on the 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 statements 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, 2015, or changes in its financial position for the year then ended.

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

Other Matters

Supplementary and Other Information

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

The other supplementary information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the financial statement.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 3, 2019, 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* and in considering Creek County's internal control over financial reporting and compliance.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

June 3, 2019

REGULATORY BASIS FINANCIAL STATEMENT

CREEK COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS
(WITH COMBINING INFORMATION)—MAJOR FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Beginning Cash Balances July 1, 2014	Receipts Apportioned	Transfer In	Transfer Out	Disbursements	Ending Cash Balances June 30, 2015
Combing Information:						
Major Funds:						
County General	\$ 1,922,132	\$ 5,729,540	\$ -	\$ -	\$ 5,716,478	\$ 1,935,194
Highway Cash	1,755,745	4,368,344	450,000	-	4,717,429	1,856,660
Highway Sales Tax	1,117,494	1,912,386	-	-	1,979,663	1,050,217
Sheriff Service Fee	151,641	562,429	-	-	477,636	236,434
County Health	827,846	1,117,839	-	-	1,090,870	854,815
Community Development	31,597	32,934	-	-	32,934	31,597
General Administration	854,652	339,884	-	-	144,381	1,050,155
County Jail Sales Tax	49,802	-	-	-	-	49,802
County Jail Maintenance	431,719	1,915,361	-	-	1,793,131	553,949
Sheriff Board of Prisoners	179,637	707,088	-	-	655,702	231,023
WR-911	282,795	145,170	-	-	73,001	354,964
Resale Property	1,016,172	592,044	-	-	435,859	1,172,357
County Sinking	203,196	538,341	-	-	596,111	145,426
E-911 Phase 2	526,773	131,442	-	-	423,898	234,317
Federal Grant - HVAC	401	-	-	-	-	401
CBRIF	1,422,701	420,141	-	-	656,391	1,186,451
CBRIF-105	138,781	-	-	-	-	138,781
Creek County Civil Emergency	31,430	181,723	-	-	129,991	83,162
Juvenile Justice Center M&O	2,170,130	967,401	-	-	1,222,608	1,914,923
County Improvement Debt Service	-	952,691	-	-	952,691	-
Court Clerk Court Fund Payroll	7,781	425,278	-	-	424,587	8,472
Remaining Aggregate Funds	568,201	592,507	-	-	420,338	740,370
Combined Total - All County Funds, as Restated	\$ 13,690,626	\$ 21,632,543	\$ 450,000	\$ -	\$ 21,943,699	\$ 13,829,470

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, 2015**

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 revenues from fees charged for serving summons and notices. Disbursements are for any legitimate expense of the Sheriff's office.

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

Community Development – accounts for the collections of Rural Economic Action Plan

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

(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. Disbursements are for any legitimate expense of the County.

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 Juvenile Justice Center maintenance and operations.

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

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

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.

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. All other funds included in the audit shall be presented in the aggregate in a combining statement.

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

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

pledged is established by the County Treasurer; this amount must be at least the amount of the deposit to be secured, less the amount insured (by, for example, the FDIC).

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

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

2. Ad Valorem Tax

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

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

Unpaid delinquent personal property taxes are published usually 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

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

financial statements and supplementary information. That report may be obtained by writing OPERS, P.O. Box 53007, Oklahoma City, Oklahoma 73105 or by calling 1-800-733-9008.

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

B. Other Post Employment Benefits (OPEB)

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

C. Contingent Liabilities

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

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

D. Long Term Obligations

1. Judgments

The County has a judgment which is being retired by a tax levy. The County is obligated to pay the judgment over a three-year period.

<u>Case Number</u>	<u>Original Judgment</u>
BCV-2012-82	\$1,125,000

A payment in the amount of \$437,911 was made during the fiscal year ended June 30, 2015. Of this payment amount \$375,000 was for the principal and \$62,911 was for interest.

Future principal and interest payments that will become due on the existing judgment are as follows:

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$375,000	\$ 59,838	\$434,838
2017	<u>375,000</u>	<u>40,409</u>	<u>415,409</u>
	<u>\$750,000</u>	<u>\$100,247</u>	<u>\$850,247</u>

2. General Obligation Bonds

The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. Debt service on the bonds will be paid from ad valorem taxes levied and assessed on behalf of the issuer and deposited to the Sinking Fund.

Creek County, Oklahoma General Obligation Limited Tax Bond Series 2005 – Bonds in the amount of \$1,000,000 were issued November 1, 2005, for the purpose of acquiring and developing land for industry, and to pay all legal, financial and other cost relating to the issuance of bonds.

General obligation bonds are direct obligations and pledge the full faith and credit of the County, therefore, the County will levy ad valorem taxes each year for an amount necessary to fulfill the payment requirements. These bonds are required to be fully paid within 10 years from the date of issue. The first bond payment was due November 1, 2009 and the first interest payment was due May 1, 2007.

<u>Purpose</u>	<u>Interest Rate</u>	<u>Original Amount</u>
Creek County, Oklahoma General Obligation Limited Tax Bond Series 2005	3.25-3.55%	\$1,000,000

Beginning Balance	Additions	Reductions	Ending Balance	Amount due within one year
\$300,000	\$ - 0-	\$150,000	\$150,000	\$150,000

During fiscal year ended June 30, 2015, the County paid \$150,000 for principal, \$7,950 interest, and \$250 for fees.

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

Annual debt service requirements to maturity for general obligation bonds, including interest of \$2,662, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2016	\$150,000	\$2,662	\$152,662
Total	\$150,000	\$2,662	\$152,662

E. Sales Tax

The voters of Creek County approved a one percent (1%) sales tax in a special election held on November 13, 2001. This sales tax was established to provide revenue as follows:

- One-third percent (1/3%) 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 acquire, construct and equip the county jail facility. This sales tax is not to exceed fifteen (15) years. These funds are accounted for in the County Jail Sales Tax fund.
- 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 Maintenance fund.
- One-third percent (1/3%) 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 construct county roads and bridges. This sales tax is not to exceed five (5) years. These funds are accounted for in the Highway Sales Tax fund.

The voters of Creek County approved a continuation of the terminating one-third percent (1/3%) sales tax in a special election held on November 5, 2005. This sales tax was continued 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 to construct county roads and bridges. This sales tax is not to exceed ten (10) years. These funds are accounted for in the Highway Sales Tax fund.

The voters of Creek County approved a continuation and reallocation of the terminating one-third percent (1/3%) sales tax in a special election held on November 4, 2008. This sales tax was continued on a permanent basis to provide revenue 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, 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.

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

- 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.

F. Interfund Transfer

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

- \$450,000 from the ETR Loan fund (a trust and agency fund) to the Highway Cash fund for expenditures on bridge and road projects in the County.

G. Restatement of Fund Balance

During the fiscal year, the County had a reclassification of funds. Court Fund Payroll was reclassified as a county fund and represents payroll expenditures of County employees. Drug Court fund was reclassified as a county fund as expenditures are approved by the Board of County Commissioners.

Also, the CBRIF, CBRI-105, Juvenile Justice Center M&O and the County Improvement Debt Service fund balances at June 30, 2014 were inaccurately reported and corrected on the July 1, 2014 beginning balance. Changes to the fund balances are noted:

Fund Name	Original Fund Balance	Adjustment	Restated Fund Balance
CBRIF	\$922,744	499,957	\$1,422,701
CBRIF-105	\$638,738	(499,957)	\$138,781
Juvenile Justice Center M&O	\$1,607,988	562,142	\$2,170,130
County Improvement Debt Service	\$2,098,650	(2,098,650)	\$ -

Prior year ending balance, as reported \$15,191,833

Funds reclassified to County Funds:

Court Fund Payroll reclassified from a
Trust and Agency Fund to a County Fund 7,781

Drug Court reclassified from a
Trust and Agency Fund to a County Fund 27,520

Trust and Agency Fund balance inaccurately reported as County Funds:

County Improvement (Public Facilities Authority)
Debt Service (1,536,508)

Prior year ending balance, as restated \$13,690,626

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

H. Subsequent Events

On April 23, 2014, Rick Stewart, District 2 Commissioner was charged with two (2) felony counts of Embezzlement and one (1) felony count of Violation of the Oklahoma Highway Code of 1968. These charges are included in case number CF-2014-211.

On August 23, 2016, Rick Stewart lost his bid for re-election in the runoff primary election causing his term of District 2 Commissioner to expire December 31, 2016.

On September 21, 2017, the first felony count of Embezzlement and the felony count of Violation of the Oklahoma Highway Code of 1968 was dismissed as per plea agreement.

On September 25, 2017, Rick Stewart plead no contest to the second count of Embezzlement. The court withheld the finding of guilty and sentenced Rick Stewart to a one (1) year deferred sentence (unsupervised). He was also ordered to pay Court costs and restitution as set by the Court in the amount of \$10,000.

OTHER SUPPLEMENTARY INFORMATION

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

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 2,090,761	\$ 1,922,132	\$ (168,629)
Less: Prior Year Outstanding Warrants	(168,630)	-	168,630
Less: Prior Year Encumbrances	(97,343)	(77,615)	19,728
Beginning Cash Balances, Budgetary Basis	<u>1,824,788</u>	<u>1,844,517</u>	<u>19,729</u>
Receipts:			
Ad Valorem Taxes	4,104,789	4,382,617	277,828
Charges for Services	258,250	353,046	94,796
Intergovernmental Revenues	422,935	808,108	385,173
Miscellaneous Revenues	40,000	185,769	145,769
Total Receipts, Budgetary Basis	<u>4,825,974</u>	<u>5,729,540</u>	<u>903,566</u>
Expenditures:			
District Attorney	39,031	38,286	745
County Sheriff	1,254,980	1,038,754	216,226
County Treasurer	282,151	281,699	452
County Commissioners	95,846	91,823	4,023
OSU Extension	129,892	128,292	1,600
County Clerk	330,132	329,857	275
Court Clerk	403,163	401,404	1,759
County Assessor	297,527	272,602	24,925
Revaluation of Real Property	664,293	650,098	14,195
Juvenile Shelter Bureau	20,000	917	19,083
General Government	2,052,163	1,714,861	337,302
Excise-Equalization Board	5,000	4,574	426
County Election Board	160,254	158,479	1,775
Purchasing Agent	49,000	48,998	2
Charity	10,000	9,425	575
Civil Defense	60,000	59,979	21
Metro Planning	210,000	165,170	44,830
Highway Budget Account	50,000	-	50,000
County Audit Budget Account	125,807	86,069	39,738
Free Fair Budget Account	224,523	224,494	29
Building Maintenance Account	187,000	59,996	127,004
Total Expenditures, Budgetary Basis	<u>6,650,762</u>	<u>5,765,777</u>	<u>884,985</u>

Continued on next page

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

	General Fund		
	Budget	Actual	Variance
Continued from previous page			
Excess of Receipts and Beginning Cash			
Balances Over Expenditures, Budgetary Basis	\$ -	1,808,280	\$ 1,808,280
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		1,600	
Add: Current Year Encumbrances		125,314	
Ending Cash Balance		\$ 1,935,194	

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

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 838,855	\$ 827,846	\$ (11,009)
Less: Prior Year Outstanding Warrants	(11,009)	-	11,009
Less: Prior Year Encumbrances	(61,131)	(18,926)	42,205
Beginning Cash Balances, Budgetary Basis	766,715	808,920	42,205
Receipts:			
Ad Valorem Taxes	1,028,197	1,097,790	69,593
Charges for Services	9,097	9,097	-
Intergovernmental Revenues	-	8,855	8,855
Miscellaneous Revenues	-	2,097	2,097
Total Receipts, Budgetary Basis	1,037,294	1,117,839	80,545
Expenditures:			
Health and Welfare	1,804,009	1,206,296	597,713
Total Expenditures, Budgetary Basis	1,804,009	1,206,296	597,713
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	720,463	\$ 720,463
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		200	
Add: Current Year Encumbrances		134,152	
Ending Cash Balance		\$ 854,815	

CREEK COUNTY, OKLAHOMA
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS—
REMAINING AGGREGATE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Beginning Cash Balances July 1, 2014	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2015
Remaining Aggregate Funds:				
Assessor Revolving	\$ 31,592	\$ 12,634	\$ -	\$ 44,226
Creek County Free Fair Rental	49,025	70,453	80,722	38,756
Mortgage Tax Certification Fee	66,056	10,845	-	76,901
County Clerk Lien Fee	148,424	81,741	20,555	209,610
County Clerk Preservation Fee	119,474	111,855	40,109	191,220
Planning and Urban Development	14,812	13,000	6,753	21,059
Courthouse Remodel	72,849	29,867	26,162	76,554
Drug Court	27,520	212,112	194,562	45,070
Circuit Engineering District 1	37,918	50,000	51,475	36,443
Creek County Election Board	531	-	-	531
Combined Total - Remaining Aggregate Funds, as Restated	\$ 568,201	\$ 592,507	\$ 420,338	\$ 740,370

**CREEK COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

1. Budgetary Schedules

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

2. Remaining County Funds

Remaining aggregate funds as presented on the financial statement are as follows:

Assessor Revolving – accounts for revenues from any and all 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 for any lawful expense of the County Treasurer’s office.

County Clerk Lien Fee – accounts for revenues from a fee charged by the County Clerk for filing liens. Disbursements are for any lawful expense of the County Clerk’s office.

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.

**CREEK COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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.

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 Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Creek County, Oklahoma, as of and for the year ended June 30, 2015, 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 June 3, 2019.

Our report included an adverse opinion on the financial statement because the statement is prepared using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County for the year ended June 30, 2015, on the basis of accounting prescribed by Oklahoma state law, described in Note 1.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered 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.

Our consideration of internal control was for the limited purpose described in the preceding 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. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses: 2015-003, 2015-018, and 2015-020.



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. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency: 2015-021.

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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2015-018.

We noted certain matters regarding statutory compliance that we reported to the management of Creek County, which are included in Section 2 of the schedule of findings and responses 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 responses. Creek County's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on the responses.

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

June 3, 2019

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

SECTION 1—Findings related to the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Finding 2015-003 – Inadequate Segregation of Duties Over the Payroll Process

Condition: 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.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure adequate segregation of duties in the County Clerk’s office with regard to the payroll process.

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

Recommendation: OSAI recommends management be aware of these conditions and determine if duties can be properly segregated. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risks involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office, and having management review and approval of accounting functions.

OSAI recommends management take steps to adequately segregate the following key accounting functions:

- Enrolling new employees and maintaining personnel files.
- Reviewing time records and preparing payroll.
- Distributing payroll warrants to individuals.

Management Response:

County Clerk Management is aware of these conditions and will develop a system with proper segregation of duties.

Chairman of the Board of County Commissioners: Management is aware of the risk and has implemented segregations as much as budget allows. The Clerk has implemented controls and a verification process for another person within the office to review and sign off.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designed to analyze and check accuracy, completeness, and authorization of payroll calculations and/or transactions to allow for prevention and detection of errors and abuse. To help ensure a proper accounting of funds, key functions within the payroll process such as the duties of processing, authorizing, and payroll distribution should be adequately segregated.

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

Finding 2015-018 – Inadequate Internal Controls and Noncompliance Over Disbursements of Bond Payments

Condition: While gaining an understanding of internal controls and testing of disbursements, we noted twenty-four (24) automatic withdrawals totaling \$1,176,199 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 transaction, 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 state statute and 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 approvals.

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 the future requirement to discontinue the automated process and instead following the process for payment of bond funds.

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.

The Commissioner handbook will note the proper practice and the appropriate requirement going forward.

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

County Clerk: Management will be correcting this process and will be broken out with the new chart of accounts for the fiscal year 2019-2020.

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

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

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 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.

Finding 2015-020 – Inadequate Internal Controls Over the Financial Statement Presentation

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, 2014	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2015
Initial	\$ 13,136,955	\$ 20,758,257	\$ 264,987	\$ 1,286	\$ 20,886,167	\$ 13,272,746
Amended	13,690,626	21,632,543	450,000	-	21,943,699	13,829,470
Variance	<u>\$ (553,671)</u>	<u>\$ (874,286)</u>	<u>\$ (185,013)</u>	<u>\$ 1,286</u>	<u>\$ (1,057,532)</u>	<u>\$ (556,724)</u>

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

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 misstated on the County’s financial statement.

Recommendation: 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 statements for fiscal year 2015 to accurately reflect the financial statements to exclude Trust account monies.

County Treasurer: During the audit for Creek County fiscal year 2015, it was brought to our attention that the Trust accounts materially misrepresented the County’s financial position. Therefore, the County has amended its financial statement for fiscal year 2015 to accurately reflect the financial statements to exclude Trust Account monies.

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

Finding 2015-021 – Inadequate Internal Controls and Noncompliance Over Sales Tax Disbursements

Condition: 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.

PO Number	Warrant Number	Warrant Date	Fund	Vendor	Purpose	Amount
0029	000683	7/7/2014	County Jail Maintenance	District Attorney’s Council #24	Service	\$25,000
002286	000143	10/6/2014	County Jail Maintenance	District Attorneys Council #24	Quarterly Payment	\$25,000
003881	000300	1/12/2015	County Jail Maintenance	District Attorneys Council #24	Salary/Benefits	\$25,000
005838	000447	4/6/2015	County Jail Maintenance	District Attorney’s Council #24	Salary/Benefits	\$25,000

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

Cause of Condition: The County did not follow the policies and procedures designed by state statutes regarding the disbursement of sales tax proceeds to be in accordance to the purposes specified by the ballot.

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

Recommendation: OSAI recommends the disbursement of county sales tax be expended in accordance with the purposes specified by the ballot as outlined by 68 O.S. § 1370E. Further, adequate supporting documentation should be attached to the purchase order.

Management Response:

Chairman of the Board of County Commissioners: Sales tax disbursements will be reviewed to ensure compliance with the sales tax ballot and include appropriate documentation.

County Clerk: The County Clerk's office requested clarification regarding these payments in the July 2, 2018 Board of County Commissioner's Meeting. Assistant District Attorney Mike Loeffler advised that the Personal Recognizance Evaluation Program had been an ongoing contract with the District Attorney's Office for 12-14 years for \$25,000 payments and had always been done that way. Further he stated these payments were authorized by the Trust. It is my understanding that the County is currently working with the Trust, District Attorney and the Sheriff to come to an agreement regarding the continuation of the contract.

Criteria: Title 68 O.S. § 1370E requires the sales tax collections be deposited in the general revenue or sales tax revolving fund of the County and be used only for the purpose for which such sales tax was designated.

Sales Tax Ballot as approved November 13, 2001 states in part the proceeds are designated to be used specifically for "B. One-third (1/3) of the sales tax revenues shall be used to pay operation and maintenance expenses on said county jail facility"

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

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

SECTION 2—This section contains certain matters not required to be reported in accordance with *Government Auditing Standards*. However, we believe these matters are significant enough to bring to management’s attention. We recommend that management consider these matters and take appropriate corrective action.

Finding 2015-011 – Inadequate Internal Controls Over the Schedule of Expenditures of Federal Awards

Condition: 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 OMB Circular A-133.

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 - \$11,578.
- CFDA 16.575 Crime Victim Assistance - \$20,544.
- CFDA 20.600 State and Community Highway Safety (2013 Grant) - \$2,460.
- CFDA 20.600 State and Community Highway Safety (2014 Grant) - \$5,720.
- CFDA 20.616 National Priority Safety Programs - \$9,160.

The following expenditures reported on the County’s SEFA were not applicable to the fiscal year:

- CFDA 97.046 Fire Management Assistance Grant - \$157,038.

These errors resulted in a total of \$107,576 overstatement of federal expenditures on the SEFA.

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

Effect of Condition: Lack of internal controls over federal program expenditures could result in erroneous reporting and/or a material misstatement of the County’s SEFA and increase the potential for material noncompliance.

Recommendation: OSAI recommends county officials and department heads gain an understanding of federal programs awarded to Creek County. Internal control procedures should be designed and implemented to ensure accurate reporting of expenditures on the SEFA and to ensure compliance with federal requirements.

Management Response:

Chairman of the Board of County Commissioners: 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.

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

The County recognizes the need to ensure more than one employee is familiar with the Federal Awards policy and requirements. Purchasing guidelines and appropriate approvals, including the BOCC approvals. The County will need to ensure proper training has been documented for employees in the BOCC office. This requirement will be included in the education requirement policy for BOCC First and Second Deputies when federal grants are received in the future.

County Clerk: Management will work closer with the Commissioners and prepare the SEFA with updated information.

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

Additionally, *OMB A-133, Subpart C, § __.300* reads as follows:

Subpart C—Auditees

§ __.300 Auditee responsibilities.

The auditee shall:

- (a) Identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received.
- (b) Maintain internal controls over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have material effect on each of its Federal programs.

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

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

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

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

Finding 2015-007 – Inadequate Internal Controls Over Court Fund

Condition: Upon inquiry and observation of the Court Clerk’s office, we noted the following weaknesses regarding internal controls related to the Court Fund:

- Segregation of duties over the Court Fund: One deputy is responsible for ordering, preparing the court fund claim and prepares, signs, and distributes court fund vouchers.

Cause of Condition: Policies and procedures have not been designed and implemented with regard to segregation of duties over aspects of the disbursement processes of the Court Fund.

Effect of Condition: A single person having responsibility for more than one area of recording, authorization, custody of assets, and execution of transactions could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner.

Recommendation: OSAI recommends that management be aware of these conditions and realize that concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. OSAI further recommends implementing compensating procedures to mitigate the risks involved with a concentration of duties. Compensating procedures would include separating key processes and/or critical functions of the office and having management review and approve the accounting functions. Key processes for the expenditures of the Court Fund should be adequately segregated including ordering goods, preparing claims, preparing vouchers, and distributing vouchers.

Management Response:

Court Clerk: With regards to segregation of duties, this issue has been previously resolved after being brought to my attention during the audit process. We have put into place a policy that I now mail the checks out after being returned from being registered at the Treasurer’s Office. This allows me to double check that no amounts have been changed and the correct amount is being sent.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, 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.

Finding 2015-009 – Inadequate Internal Controls and Noncompliance Over Inmate Trust Fund Checking Account and Sheriff Commissary Fund (Repeat Finding)

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

- One employee collects cash from the kiosk machine and the drop box, inputs inmate information into the commissary system program, adds funds to inmate accounts, prepares deposits, and closes inmate accounts.

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

- 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, prepares phone card deposits.
- Phone card inventories are not maintained or reconciled.
- Collections were not deposited into the Inmate Trust Fund Checking Account on a daily basis.
- Reconciliations between the ledgers for the Inmate Trust Fund and the Inmate Trust Fund Checking Account were unable to be located for the twelve (12) month period.

Regarding the Sheriff Commissary Fund, the following weaknesses were noted:

- The County Sheriff's office does not file an annual report for the Sheriff Commissary Fund with the Board of County Commissioners by January 15th, of each year.
- The County Sheriff's office did not have a contract on file with the commissary vendor for the fiscal year.

Additionally, after performing testwork regarding the Inmate Trust Fund Checking Account expenditures, the following noncompliance were noted regarding the ninety-two (92) disbursements/checks tested:

- Seven (7) checks were issued to the commissary vendor to purchase inmate commissary.
- One (1) check was issued to the phone card vendor/provider for the purchase of phone cards.
- One (1) check was issued for bail bond.
- Five (5) checks were issued to a pizza restaurant.
- Five (5) checks were issued to a hamburger restaurant.
- Four (4) checks were issued to a retail wholesale club.
- Four (4) checks issued without authorized signatures.

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, laws, and regulations. In addition, without proper accounting and safeguarding of the Inmate Trust Fund Checking Account, there is an increased risk of misappropriation of funds.

Recommendation: OSAI recommends the following:

- Key duties and responsibilities should be segregated among different individuals to reduce the risk of error or fraud. No one individual should have the ability to authorize transactions, have physical custody of assets, and record transactions.
- Inmate Trust Fund Checking Account monies should be maintained in a manner that reflects each inmate's trust deposits, disbursements, and account balances. The inmates' trust fund balances should be reconciled to the bank statement each month. Additionally, Inmate Trust Fund Checking Account bank statements should be maintained.
- An inventory of phone cards received and sold should be maintained and reconciled on a monthly basis.
- All collections be deposited daily.

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- All checks from the Inmate Trust Fund Checking Account must have two (2) authorized signatures.
- Expenditures are to be made from the Inmate Trust Fund Checking Account in accordance with Title 19 O.S. § 531 A.
- The Sheriff file a report of the commissary with the County Commissioners by January 15th, of each year in accordance with Title 19 O.S. § 180.43 D.
- The Sheriff's office should have a BOCC approved contract on file with the commissary vendor for the fiscal year.

Management Response:

County Sheriff: The items listed in this finding were under the control of the previous Sheriff. The Inmate Trust Fund account has been operating in this manner for several years prior to my administration. Staff from my office have already spoken with the Auditor's Office about this account prior to this audit and have been working diligently to correct the known issues associated with the old methods.

We located all of the bank statements that were requested by the auditors and forwarded the requested information to the Auditor's Office.

We have put steps into place to segregate the duties of the staff that conduct daily deposits and have developed procedures to ensure that "dual control" methods are in place for all cash handling duties. We have also developed protocols that ensure that one individual is not authorizing transactions, controlling assets and maintaining the records of the account.

This office is currently creating a method that will reflect the inmate trust deposits, disbursements, and account balances and have standardized a monthly reconciliation process that includes monthly bank statements.

We have discontinued the use of phone cards and utilizing a new inmate phone service with updated software and procedures.

I have modified the schedule for deposits to adhere to a timely deposit method and have created new practices that ensure that all expenditures comply with State law and county purchasing procedures.

We will comply with the January 15th deadline to provide the annual commissary report to the BOCC in accordance with State law.

Chairman of the Board of County Commissioners: Management is aware of the findings and has been working to develop a Policy and related procedures to address the noncompliance issues noted. Because of many issues that have required corrections, and employee turnover over the past few months, the expected final reconciliation of the Commissary accounts is not yet complete. New processes are currently implemented and are being followed.

Criteria: Effective accounting procedures and internal controls are necessary to ensure stewardship and accountability of public funds. Safeguarding controls are an important aspect of internal controls.

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Safeguarding controls relate to the prevention or timely detection of unauthorized transaction and unauthorized access to assets. Failure to perform tasks that are part of internal controls, such as reconciliations not performed or not timely prepared, are deficiencies in internal control. Further, reconciliations should be performed on a monthly basis.

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

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

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

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



Cindy Byrd, CPA | State Auditor & Inspector

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