



CREEK COUNTY

Financial Audit

For the fiscal year ended June 30, 2017

Cindy Byrd, CPA
State Auditor & Inspector

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

This publication, issued by the Oklahoma State Auditor and Inspector's Office as authorized by 19 O.S. § 171, has not been printed, but is available on the agency's website (www.sai.ok.gov) and in the Oklahoma Department of Libraries Publications Clearinghouse Digital Prairie Collection (<http://digitalprairie.ok.gov/cdm/search/collection/audits/>) pursuant to 65 O.S. § 3-114.



Cindy Byrd, CPA | State Auditor & Inspector

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

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, 2017. The audit was conducted in accordance with 19 O.S. § 171.

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

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

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

Sincerely,

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

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



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

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 Vanorsdol

District Attorney

Max Cook

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

TABLE OF CONTENTS

FINANCIAL SECTION

Report of State Auditor and Inspector	1
Financial Statement:	
Statement of Receipts, Disbursements, and Changes in Cash Balances—Regulatory Basis (with Combining Information)—Major Funds.....	4
Notes to the Financial Statement.....	5

OTHER SUPPLEMENTARY INFORMATION

Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—General Fund.....	13
Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—County Health Department Fund.....	15
Combining Statement of Receipts, Disbursements, and Changes in Cash Balances—Regulatory Basis—Remaining Aggregate Funds	16
Notes to Other Supplementary Information	17
Schedule of Expenditures of Federal Awards	19
Note to the Schedule of Expenditures of Federal Awards.....	20

INTERNAL CONTROL AND COMPLIANCE SECTION

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	21
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	24
Schedule of Findings and Questioned Costs.....	27
Appendix A: Corrective Action Plan (Prepared by County Management).....	51
Appendix B: Summary Schedule of Prior Audit Findings (Prepared by County Management)	54

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, 2017, and the related notes to the financial statement, which collectively comprise the County's basic financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1, the financial statement is prepared by 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, 2017, or changes in financial position for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash balances for all county funds of Creek County, for the year ended June 30, 2017, in accordance with the basis of accounting described in Note 1.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the combined total of all county funds on the financial statement. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the remaining supplementary information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statement.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated 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, 2017

	Beginning Cash Balances July 1, 2016	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2017
Combining Information:				
Major Funds:				
County General	\$ 2,050,062	\$ 5,971,592	\$ 6,066,151	\$ 1,955,503
Highway Cash	1,575,539	4,152,635	4,391,841	1,336,333
Highway Sales Tax	1,077,245	1,857,918	1,369,332	1,565,831
Sheriff Service Fee	154,552	525,103	481,036	198,619
County Health	757,470	1,221,755	1,486,312	492,913
Community Development	1,859,233	4,071,818	5,737,751	193,300
General Administration	1,388,883	326,127	368,261	1,346,749
County Jail Sales Tax	47,141	-	4,107	43,034
County Jail Maintenance	569,526	1,860,673	1,634,663	795,536
Sheriff Board of Prisoners	398,562	841,016	1,114,837	124,741
WR-911	426,645	114,875	76,040	465,480
Resale Property	1,066,902	576,088	485,201	1,157,789
County Sinking	14,367	22,607	-	36,974
E-911 Phase 2	116,679	142,111	216,937	41,853
Federal Grant - HVAC	401	-	-	401
CBRIF	895,303	286,524	616,764	565,063
CBRIF-105	138,781	-	-	138,781
Creek County Civil Emergency	75,511	1,665	4,007	73,169
Juvenile Justice Center M&O	1,640,326	1,023,730	1,195,184	1,468,872
County Improvement Debt Service	-	931,146	931,146	-
Court Clerk Court Fund Payroll	11,996	306,834	306,663	12,167
Remaining Aggregate Funds	913,036	487,928	394,007	1,006,957
Combined Total - All County Funds	\$ 15,178,160	\$ 24,722,145	\$ 26,880,240	\$ 13,020,065

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

**CREEK COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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.

**CREEK COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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. 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.

**CREEK COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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.

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

**CREEK COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

identifiable on the County's books. The balance in the pooled cash accounts is available to meet current operating requirements.

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

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

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

2. Ad Valorem Tax

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

Taxes are due on November 1 following the levy date, although they may be paid in two equal installments. If the first half is paid prior to January 1, the second half is not delinquent until April 1. The County Treasurer, according to the law, shall give notice of delinquent taxes and special 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.

**CREEK COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

3. Other Information

A. Pension Plan

Plan Description. The County contributes to the Oklahoma Public Employees Retirement Plan (the Plan), a cost-sharing, multiple-employer defined benefit pension plan administered by the Oklahoma Public Employees Retirement System (OPERS). Benefit provisions are established and amended by the Oklahoma Legislature. The Plan provides retirement, disability, and death benefits to Plan members and beneficiaries. Title 74, Sections 901 through 943, as amended, establishes the provisions of the Plan. OPERS issues a publicly available financial report that includes financial statements and supplementary information. That report may be obtained by writing OPERS, P.O. Box 53007, Oklahoma City, Oklahoma 73105 or by calling 1-800-733-9008.

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

B. Other Post Employment Benefits (OPEB)

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

C. Contingent Liabilities

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

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

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.

**CREEK COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

The final payment was modified by a contract executed July 5, 2016. The judgement was settled for the agreed upon amount of \$365,241. The defendant agreed to convey all right, title, and interest of the property in which the judgment was held to the Creek County Board of Commissioners. The final payment was made in the fiscal year ended June 30, 2017 from the General Administration fund.

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 permeant 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

**CREEK COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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.

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.

F. Tax Abatements

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

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

The County had \$12,596 of ad valorem taxes abated under this program for the fiscal year ended June 30, 2017.

The State has an Ad Valorem Reimbursement Fund in accordance with Title 62 O.S. § 193 that is used to reimburse the County for the loss of revenue. Monies apportioned to this fund by the State also may be transferred to other state funds or otherwise expended as directed by the Legislature. In the event monies apportioned to the Fund are insufficient to pay all claims for reimbursement, claims for reimbursement for loss of revenue due to manufacturing exemptions of ad valorem taxes shall be paid first, and any remaining funds shall be distributed proportionally among the counties making claims for reimbursement for loss of revenue for school district exemptions.

**CREEK COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

G. 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, 2017

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 2,050,062	\$ 2,050,062	\$ -
Less: Prior Year Outstanding Warrants	(76,078)	(76,078)	-
Less: Prior Year Encumbrances	(187,013)	(141,644)	45,369
Beginning Cash Balances, Budgetary Basis	<u>1,786,971</u>	<u>1,832,340</u>	<u>45,369</u>
Receipts:			
Ad Valorem Taxes	4,566,622	4,834,695	268,073
Charges for Services	236,000	297,203	61,203
Intergovernmental Revenues	355,497	573,060	217,563
Miscellaneous Revenues	40,000	266,634	226,634
Total Receipts, Budgetary Basis	<u>5,198,119</u>	<u>5,971,592</u>	<u>773,473</u>
Expenditures:			
District Attorney	40,972	39,600	1,372
County Sheriff	1,350,895	1,338,524	12,371
County Treasurer	314,280	265,481	48,799
County Commissioners	115,514	111,137	4,377
OSU Extension	160,190	154,627	5,563
County Clerk	350,780	348,206	2,574
Court Clerk	419,514	417,214	2,300
County Assessor	315,863	309,327	6,536
Revaluation of Real Property	391,529	340,989	50,540
Juvenile Shelter Bureau	5,000	-	5,000
General Government	2,376,679	2,061,233	315,446
Excise-Equalization Board	5,000	4,078	922
County Election Board	179,557	178,212	1,345
Purchasing Agent	91,592	84,528	7,064
Charity	10,000	9,860	140
Metro Planning	210,000	183,875	26,125
Civil Defense	58,041	49,502	8,539
Highway Budget Account	-	-	-
County Audit Budget Account	116,921	-	116,921
Free Fair Budget Account	286,061	283,230	2,831
Building Maintenance Account	186,702	79,708	106,994
Total Expenditures, Budgetary Basis	<u>6,985,090</u>	<u>6,259,331</u>	<u>725,759</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, 2017**

	General Fund		
	Budget	Actual	Variance
Continued from previous page			
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	1,544,601	\$ 1,544,601
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		235	
Add: Current Year Outstanding Warrants		108,521	
Add: Current Year Encumbrances		302,146	
Ending Cash Balance		\$ 1,955,503	

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, 2017

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 757,470	\$ 757,470	\$ -
Less: Prior Year Outstanding Warrants	(3,272)	(3,272)	-
Less: Prior Year Encumbrances	(318,118)	(284,742)	33,376
Beginning Cash Balances, Budgetary Basis	436,080	469,456	33,376
Receipts:			
Ad Valorem Taxes	1,143,881	1,211,222	67,341
Charges for Services	3,117	2,945	(172)
Intergovernmental Revenues	-	6,803	6,803
Miscellaneous Revenues	-	785	785
Total Receipts, Budgetary Basis	1,146,998	1,221,755	74,757
Expenditures:			
Health and Welfare	1,583,078	1,333,868	249,210
Total Expenditures, Budgetary Basis	1,583,078	1,333,868	249,210
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	357,343	\$ 357,343
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		372	
Add: Current Year Encumbrances		83,471	
Add: Current Year Outstanding Warrants		51,727	
Ending Cash Balance		\$ 492,913	

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, 2017

	Beginning Cash Balances <u>July 1, 2016</u>	Receipts Apportioned	Disbursements	Ending Cash Balances <u>June 30, 2017</u>
Remaining Aggregate Funds:				
Assessor Revolving	\$ 51,545	\$ 7,975	\$ -	\$ 59,520
Creek County Free Fair Rental	67,970	65,966	20,465	113,471
Mortgage Tax Certification Fee	88,606	11,965	42,677	57,894
County Clerk Lien Fee	225,033	37,027	22,317	239,743
County Clerk Preservation Fee	215,458	73,645	37,077	252,026
Planning and Urban Development	21,509	15,876	7,649	29,736
Courthouse Remodel	91,542	33,573	12,213	112,902
Drug Court	64,399	241,901	251,609	54,691
Circuit Engineering District 1	86,443	-	-	86,443
Creek County Election Board	531	-	-	531
Combined Total - Remaining Aggregate Funds	<u>\$ 913,036</u>	<u>\$ 487,928</u>	<u>\$ 394,007</u>	<u>\$ 1,006,957</u>

**CREEK COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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, 2017**

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.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**CREEK COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. DEPARTMENT OF DEFENSE			
Direct Grant			
Payments to States in Lieu of Real Estate Taxes	12.112		\$ 5,395
Total U.S. Department of Defense			<u>5,395</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	16286	2,332
Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)	14.269	16317	2,937,413
Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)	14.269	16318	838,914
Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)	14.269	16319	261,674
Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)	14.269	16320	398,135
Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)	14.269	16321	128,930
Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)	14.269	16322	326,215
Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)	14.269	16323	243,616
Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)	14.269	16329	378,357
Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)	14.269	16567	137,320
Total U.S. Department of Housing and Urban Development			<u>5,652,906</u>
U.S. DEPARTMENT OF JUSTICE			
Passed Through the Office of Juvenile Affairs:			
Crime Victim Assistance	16.575		24,500
Total U.S. Department of Justice			<u>24,500</u>
U.S. DEPARTMENT OF TRANSPORTATION			
Passed Through the Oklahoma Highway Safety Office:			
State and Community Highway Safety	20.600	OP-16-03-02-05	100
State and Community Highway Safety	20.600	OP-17-03-01-06	15,360
Total U.S. Department of Transportation			<u>15,460</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed Through the Oklahoma Department of Emergency Management:			
Disaster Grants - Public Assistance (Presidentially Declared Disaster)	97.036	DR-4222	34,883
Total U.S. Department of Homeland Security			<u>34,883</u>
Total Expenditures of Federal Awards			<u>\$ 5,733,144</u>

**CREEK COUNTY, OKLAHOMA
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of 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 Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Creek County, Oklahoma, as of and for the year ended June 30, 2017, 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, 2017, on the basis of accounting prescribed by Oklahoma state law, described in Note 1.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered 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 questioned costs, 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 questioned costs to be material weaknesses: 2017-002, 2017-003, 2017-018, and 2017-020.

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 questioned costs to be a significant deficiency: 2017-021.

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 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 2017-002, 2017-018 and 2017-021.

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 were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on the response.

Purpose of this Report

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

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



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

June 3, 2019

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

TO THE OFFICERS OF
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, 2017. 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 the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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



Basis for Qualified Opinion on Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)

As described in Findings 2017-014, 2017-015, 2017-016, and 2017-017 in the accompanying schedule of findings and questioned costs, Creek County did not comply with requirements regarding the following:

Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2017-014	14.269	Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)	Equipment and Real Property Management
2017-015	14.269	Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)	Period of Performance
2017-016	14.269	Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)	Procurement
2017-017	14.269	Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)	Reporting

Compliance with such requirements is necessary, in our opinion, for Creek County to comply with the requirements applicable to that program.

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

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, 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 Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR) for the year ended June 30, 2017.

Other 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 certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2017-011, 2017-012, and 2017-013, that we consider to be material weaknesses.

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

June 3, 2019

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

SECTION 1—Summary of Auditor’s Results

Financial Statements

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

Internal control over financial reporting:

- Material weaknesses identified? Yes
- Significant deficiency identified? Yes

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

Federal Awards

Internal control over major programs:

- Material weaknesses identified? Yes
- Significant deficiency identified? None reported

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

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, 2017**

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

Finding 2017-002 – Inadequate Internal Controls and Noncompliance Over Disbursements (Repeat Finding 2016-002)

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

Cause of Condition: The County did not follow the policies and procedures designed by state statutes regarding the purchasing process.

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

Recommendation: The Oklahoma State Auditor & Inspector’s Office (OSAI) recommends that the County implement internal control procedures to ensure compliance with purchasing guidelines. Purchase orders should be encumbered before goods or services are ordered and funds available.

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: Management is aware of the condition and is currently creating a County Policy to help eliminate findings a to the best of our abilities.

County Sheriff: The items listed in this finding administered by this office were under the control of the previous Sheriff. We have provided purchasing training to employees and continue to closely work with the County Clerk’s Office. I have also given specific instruction to comply with all county purchasing procedures and follow State law. I have also implemented procedures that ensure that if the Sheriff’s Office experiences a financial crisis that creates a lack of funds to operate, that we notify the Board of County Commissioners (BOCC) as soon as possible.

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.

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

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

Finding 2017-003 – Inadequate Segregation of Duties Over the Payroll Process (Repeat Finding 2016-003)

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 QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Finding 2017-018 – Inadequate Internal Controls and Noncompliance Over Disbursements of Bond Payments (Repeat Finding - 2016-018)

Condition: 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.

Cause of Condition: The County did not follow the policies and procedures designed by state statutes 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 QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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 2017-020 – Inadequate Internal Controls Over the Financial Statement Presentation (Repeat Finding - 2016-020, 2015-020)

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, 2016	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2017
Initial	14,604,310	23,544,884	1,098,021	536,166	25,690,178	13,020,871
Amended	15,178,160	24,722,145	-	-	26,880,240	13,020,065
Variance	<u>(573,850)</u>	<u>(1,177,261)</u>	<u>1,098,021</u>	<u>536,166</u>	<u>(1,190,062)</u>	<u>806</u>

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

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:

Board of County Commissioners Chairman: The County recognizes the Trust accounts materially misrepresented the County’s financial position; therefore, the County has amended its financial statements for fiscal year 2017 to accurately reflect the financial statements to exclude Trust account monies.

County Treasurer: During the audit for Creek County fiscal year 2017, 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 2017 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 2017-021 – Inadequate Internal Controls and Noncompliance Over Sales Tax Disbursements (Repeat Finding - 2016-021, 2015-021)

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
000002	000001	7/11/2016	County Jail Maintenance	District Attorney’s Council #24	Salary/Benefits	25,000
002189	000144	10/11/2016	County Jail Maintenance	District Attorney’s Council #24	Salary/Benefits	25,000
003971	000295	1/9/2017	County Jail Maintenance	District Attorney’s Council #24	Salary/Benefits	25,000
005100	000448	4/10/2017	County Jail Maintenance	District Attorney’s Council #24	Salary/Benefits	25,000

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

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:

Board of County Commissioners Chairman: 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 \$25,000.00 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.

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

Finding 2017-011 – Inadequate Internal Controls Over the Schedule of Expenditures of Federal Awards (Repeat Finding 2016-011)

PASS-THROUGH GRANTOR: Oklahoma Department of Commerce

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

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

CFDA NO: 14.269

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

FEDERAL 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-

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 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.

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: This could result in the erroneous reporting and/or a material misstatement of the County's SEFA and increases 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.

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

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.

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 SEFA prepare to have 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, *2 CFR 200, Subpart D, § 200.302(b)* reads as follows:

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

(1) Identification, in its accounts, of all Federal awards received and expended and the Federal programs under which they were received. Federal program and Federal award identification must include, as applicable, the CFDA title and number, Federal award identification number and year, name of the Federal agency, and name of the pass-through entity, if any.

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

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

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

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

Further, 2 CFR 200, Subpart F, § ___.510(a)(b) reads as follows:

The auditee must:

- a) Prepare financial statements that reflect its financial position, results of operations or changes in net assets, and, where appropriate, cash flows for the fiscal year audited. The financial statements must be for the same organizational unit and fiscal year that is chosen to meet the requirements of this part.
- (b) Prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended.

Finding 2017-012 – Inadequate County-Wide Internal Controls Over Major Federal Programs – CDBG-DR (Repeat 2016-012)

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 Recovery Grants (CDBG-DR)

FEDERAL AWARD NUMBERS: 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; and Special Tests and Provision.

QUESTIONED COSTS: \$-0-

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

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

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

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 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 QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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 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/if Federal Grants are received in the future.

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

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

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

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

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

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

Finding 2017-013 – Inadequate Internal Controls Over Major Programs – CDBG-DR (Repeat 2016-013)

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 Grant Disaster Recovery Grants (CDBG-DR)

FEDERAL 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; Period of Performance.

QUESTIONED COSTS: \$-0-

Condition: 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 and Period of Performance.

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 could result in noncompliance to grant requirements and loss of federal funds to the County.

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

Management Response:

Chairman of the Board of County Commissioner: The Federal audit over Community Development Block Grant funds (CDBG) revealed that some federal disbursements 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 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/if Federal Grants are received in the future.

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

Criteria: 2 CFR 200, Subpart D. § 200.303(a) reads as follows:

Subpart D-Post Federal Award Requirements

§200.303 Internal Controls

The non-Federal entity must:

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

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

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

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 Grant Disaster Recovery Grants (CDBG-DR)

FEDERAL 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-

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

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.

Recommendation: OSAI recommends the county verify all federal inventory annually and file inventory records with the County Clerk.

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

Management Response:

Chairman of the Board of County Commissioner: 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.

Management is aware of findings and has had some Departments negligent in reporting. The Commissioners commit to working with the County Clerk's office to educate and ensure compliance with the policy for all departments reporting inventory.

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.”

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

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 Grant Disaster Recovery Grants (CDBG-DR)

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

FEDERAL AWARD YEAR: 2015

CONTROL CATEGORY: Period of Performance

QUESTIONED COSTS: \$-0-

Condition: 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.

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.

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

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

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 findings 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 2017-016 – Noncompliance with Procurement Over Federal Grant (Repeat Finding 2016-016)

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 Grant Disaster Recovery Grants (CDBG-DR)

FEDERAL 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 13

FEDERAL AWARD YEAR: 2015

CONTROL CATEGORY: Procurement and Suspension and Debarment

QUESTIONED COSTS: \$-0-

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

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

- 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.
 - Grant 16317 for \$2,820,036
 - Grant 16318 for \$838,914

- Additional charges totaling \$180,357 could not be traced to the nation-wide bid association award documentation:
 - Grant 16320 for \$78,053
 - Grant 16321 for \$7,391
 - Grant 16322 for \$9,720
 - Grant 16323 for \$6,035
 - Grant 16329 for \$71,858
 - Grant 16567 for \$7,300

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

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.

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 document the purchasing process in the future. This will be noted for Future Federal Programs.

Criteria: Title 19 O.S. § 1501 A.3 (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.”

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

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

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 Grant Disaster Recovery Grants (CDBG-DR)

FEDERAL 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-

Condition: 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.

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 compliance with these requirements.

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 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

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

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.”

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

Finding 2017-007 – Inadequate Internal Controls and Noncompliance 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.
- In the audit of twenty-five (25) Court Fund claims the following was noted:
 - Three (3) Court Fund claims did not have approval from the majority of the Court Fund board.
 - One (1) Court Fund claim tested did not have supporting documentation attached, was not properly itemized, and we were unable to determine if the claim had mathematical accuracy and correct pricing due to no supporting documentation.

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 Court Fund. Procedures have not been implemented in the Court Clerk’s Office to ensure compliance with state statutes.

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. Further, these conditions could result in misappropriation of assets, inaccurate records, incomplete information, and noncompliance with state statutes.

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

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

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 process for the expenditures of the Court Fund should be adequately segregated including ordering goods, preparing claims, preparing vouchers, and distributing vouchers.

OSAI recommends the Court Clerk design and implement policies and procedures to ensure proper internal controls over the Court Fund expenditure processes to ensure proper documentation and proper approvals are obtained for all expenditures in order to comply with 20 O.S. § 1304.

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.

With regards to Court Fund Claims, this issue has now been brought to our attention and we will be more cautious in making sure that all signatures are properly attained, and each claim contains the proper supporting documentation.

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.

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

Finding 2017-008 – Inadequate Internal Controls and Noncompliance Over Fixed Assets and Consumable Inventories

Condition: While gaining an understanding of internal controls and testing compliance with state statutes over fixed assets, we noted the following:

- The County has not set forth procedures to perform and document an annual physical inventory to ensure compliance with 19 O.S. § 178.1 and 178.2 for the following offices: County Assessor, County Health Department, Free Fair, OSU Extension Office, Depew Drumright, Freedom Hill, Kellyville, Kiefer, Milfay, Mounds, Oilton, Olive, Sapulpa, Shamrock, Silver City, Drumright 2, Kiefer 2, Oilton 2, and Olive 2 Rural Fire Departments.
- County Commissioners at Districts 1, 2 and 3 did not have all equipment clearly marked as county property or county leased property.

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

In addition, fuel tanks were measured at each District and compared to the balance recorded on fuel records and/or logs. The following variances were noted:

District	Type of Fuel	Actual Fuel on Hand	Amount per Fuel Records & Logs	Variance
1	Diesel	3,346	Balance Not Shown	3,346
1	Gasoline	146	Balance Not Shown	146
2	Diesel	4,438	6,121	(1,683)
3	Diesel	8,369	9,690	(1,321)

Cause of Condition: Policies and procedures have not been designed and implemented with regard to effective internal controls over safeguarding of fixed assets by performing an annual physical inventory count and maintaining the fixed asset inventory record with the County Clerk, and marking all equipment as county property or county leased equipment. In addition, policies and procedures have not been designed and implemented with regard to effective internal controls over safeguarding of consumable inventory.

Effect of Condition: This condition resulted in noncompliance with state statutes and could result in unrecorded transactions, misappropriation of assets, unauthorized use of consumable inventories, or loss of consumable inventories.

Recommendation: OSAI recommends the County implement internal controls to ensure compliance with 19 O.S. § 178.1 and 19 O.S. § 178.2 by performing and documenting an annual inventory of fixed assets. Documentation of annual inventory verification should be retained and filed with the County Clerk. OSAI also recommends management implement internal controls to ensure compliance with 69 O.S. § 645 by marking each piece of county-owned, rented or leased road machinery and equipment, and each automobile and truck conspicuously and legibly, on each side.

In addition, OSAI recommends management implement internal controls to ensure compliance with 19 O.S. § 1504A, which includes reconciling fuel logs periodically to fuel on hand and explain any variance or adjustments.

Management Response:

Chairman of the Board of County Commissioners: Management is aware of findings and will work with the Commissioners on developing a policy for departments reporting inventory.

County Clerk: Management is aware of this finding, and as the record keeper, I will continue to contact departments and the Commissioners on updates.

Criteria: Title 19 O.S. § 178.1 states in part, “The board of county commissioners in each county of this state shall take, or cause to be taken, an inventory of all working tools, apparatus, machinery and equipment belonging to the county or leased or otherwise let to it or to any department thereof, other than that which is affixed to and made a part of lands and buildings, the cost of which as to each complete working unit thereof is more than Five Hundred Dollars (\$500.00), and therefore maintain or cause to be maintained a continuous

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

inventory record thereof and of like tools, apparatus, machinery and equipment purchased, leased, or otherwise coming into custody of the county or of any office, board, department, commission or any either thereof, and the disposition thereof whether sold, exchanged, leased, or let where authorized by statute, junked, strayed or stolen, and annually thereafter...”

Title 19 O.S. § 178.2 states, “It shall be and is hereby made the duty of every county officer, board, commission, or department, and by record directive of the board of county commissioners may be made the duty of any employee of the board of county commissioners subject to summary discharge and removal by the board, to conform in all respects and be amenable to all uniform resolutions adopted by their respective boards of county commissioners directing the taking, recording, maintaining and reporting inventories of properties in their respective custody in accordance with the provisions of this act. It shall be the duty and responsibility of each elected county official to create and maintain inventory records of said office. Such inventory shall be filed with the county clerk.”

Title 69 O.S. § 645 states, “The board of county commissioners shall cause each piece of county-owned, rented or leased road machinery and equipment, and each automobile and truck, to be marked in accordance with the provisions of this section. County-owned automobiles, trucks, road machinery and equipment shall be conspicuously and legibly marked PROPERTY OF (name of county) COUNTY, and leased automobiles, trucks, road machinery and equipment shall be conspicuously and legibly marked LEASED BY (name of county) COUNTY, on each side, in upper case letters, on a background of sharply contrasting color.”

Title 19 O.S. § 1504A states in part, “...The receiving officer shall also maintain a record of all such items received, disbursed stored and consumed by the department.”

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

Finding 2017-009 – Inadequate Internal Controls and Noncompliance Over Inmate Trust Fund Checking Account and Sheriff Commissary Fund

Condition: Regarding the Inmate Trust Fund Checking Account, 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 inmate accounts, prepares deposits, performs bank reconciliations and closes inmate accounts.

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

- 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 Checking Account were unable to be located for three (3) of the twelve (12) month period.
- Reconciliations between the ledgers for the Inmate Trust Fund and the Inmate Trust Fund Checking Account located for nine (9) of the twelve (12) month period; however, eight (8) reconciliations were not performed in a timely manner.

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

- The Sheriff's office does not file an annual report for the 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 commissary vendor for the fiscal year.

After performing testwork regarding Inmate Trust Fund Checking Account expenditures, the following noncompliance was noted regarding the four hundred ninety-five (495) disbursements/checks tested:

- Forty-five (45) checks were issued to the commissary vendor to purchase inmate commissary.
- Eighteen (18) checks were issued to the phone card vendor/provider for the purchase of phone cards.
- Three (3) checks were issued to a bail bondsman.
- Two (2) checks were issued to a retail wholesale club.
- Seventeen (17) checks were issued to a hamburger restaurant.
- Seventeen (17) checks were issued to a pizza restaurant.
- Two (2) checks were issued for bond payments.
- Three (3) checks were issued with only one authorized signature.
- Three (3) checks were 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.

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

- Inmate Trust Fund Checking Account monies should be maintained in a manner that reflects each inmate's trust deposits, disbursements, and account balances. The inmates' trust fund balances should be reconciled to the bank statements each month.
- An inventory of phone cards received and sold should be maintained and reconciled on a monthly basis.
- Bank reconciliations be performed on a monthly basis.
- All collections be deposited daily.
- All checks from the Inmate Trust Fund Checking Account must have two (2) authorized signatures.
- Expenditures are to be made from the Inmate Trust Fund Checking Account in accordance with Title 19 O.S. § 531 A.
- The Sheriff 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 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 particular audit and have been working diligently to correct the known issues associated with the old methods.

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.

Our target date to meet the objectives of these corrective procedures is December 1st, 2018.

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

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

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. 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.”

APPENDIX A

CORRECTIVE ACTION PLAN

(Prepared by County Management)

Board of County Commissioners

COMMISSIONERS
1st District
 NEW STEPHENS
2nd District
 LEON WARNER
3rd District
 LANE WHITEHOUSE



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

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

Creek County Corrective Action Plan

**in accordance with 2 CFR § 200.511c
 for the fiscal year ended June 30, 2017**

Finding No.	Title (Financial) or CFDA No. & Program Name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2017-002	Inadequate Internal Controls and Noncompliance Over Disbursements	Management is implementing 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.	March 31, 2019	Jennifer Mortazavi
2017-003	Inadequate Segregation of Duties Over Payroll Process	Management 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.	December 31, 2018	Jennifer Mortazavi
2017-011	Inadequate Internal Controls and Noncompliance Over the Schedule of Expenditures of Federal Awards	The County recognizes the need to ensure more than one employee 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.	March 31, 2019	Leon Warner
2017-012	Inadequate County-Wide Controls Over Major Federal Programs	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 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/if Federal Grants are received in the future.	March 31, 2019	Leon Warner
2017-013	Inadequate Internal Controls Over Major Programs - CDBG-DR	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 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/if Federal Grants are received in the future.	March 31, 2019	Leon Warner
2017-014	Noncompliance with Equipment and Real Property Over Federal Awards	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	December 31, 2018	Leon Warner

		owned and verified equipment purchased through the Federal Programs. Management is aware of findings and has had some Departments negligent in reporting. The Commissioners commit to working with the County Clerk's office to educate and ensure compliance with the policy for all departments reporting inventory.		
2017-015	Noncompliance with Period of Performance Over Federal Grants	County management is aware of the findings 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.	March 31, 2019	Leon Warner
2017-016	Noncompliance with Procurement Over Federal Grants	County Management recognizes the need to include documentation to help document the purchasing process in the future. This will be noted for Future Federal Programs.	March 31, 2019	Leon Warner
2017-017	Noncompliance with Reporting Over Federal Grants	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.	March 31, 2019	Leon Warner
2017-018	Inadequate Internal Controls and Noncompliance Over Disbursements of Bond Payments	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.	March 31, 2019	Leon Warner
2017-020	Inadequate Internal Controls and Noncompliance Over the Financial Statement	The County has amended its financial statements for the fiscal year to accurately reflect the financial statements to exclude Trust Account monies	June 30, 2019	Leon Warner
2017-021	Inadequate Internal Controls and Noncompliance Over Sales Tax Disbursements	Sales tax disbursements will be reviewed to ensure compliance with the sales tax ballot and include appropriate documentation.	June 30, 2019	Leon Warner

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
LANE WHITEHOUSE



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

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

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

FINANCIAL AUDIT FINDINGS

Finding 2013-001 and 2014-001

Property Taken by Eminent Domain Levied Against Taxpayers and Noncompliance of Open Meeting Laws

Finding Summary: The Board of County Commissioners (BOCC) obtained through eminent domain approximately 226 acres. The County could not provide sufficient documentation to determine that this procedure was done in accordance with state statutes and the Oklahoma Constitution.

Status: Fully Corrected

Finding 2013-002 and 2014-002

Inadequate Internal Controls and Noncompliance Over the Disbursements Process

Finding Summary: Upon inquiry and observation of the County's disbursement process, the following was noted

- Warrants paid are not reflected on the County's general ledger.
- Warrants paid are not marked the actual date paid; instead they are marked paid each Friday.

Status: Fully Corrected

FEDERAL AUDIT FINDINGS

No matters were reported

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



Cindy Byrd, CPA | State Auditor & Inspector

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