



DELAWARE COUNTY

County Audit

For the fiscal year ended June 30, 2017

Cindy Byrd, CPA
State Auditor & Inspector

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

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Cindy Byrd, CPA | State Auditor & Inspector

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

October 5, 2021

TO THE CITIZENS OF
DELAWARE COUNTY, OKLAHOMA

Transmitted herewith is the audit of Delaware 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



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

Board of County Commissioners

District 1 – Doug Smith
District 2 – Russell Martin
District 3 – Martin Kirk

County Assessor

Larena Ellis-Cook

County Clerk

Barbara Barnes

County Sheriff

Harlan Moore

County Treasurer

Susan Duncan

Court Clerk

Caroline Weaver

District Attorney

Kenny Wright

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

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FINANCIAL SECTION

Independent Auditor's Report

TO THE OFFICERS OF
DELAWARE 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 Delaware 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 Delaware County using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Delaware 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 Delaware County, for the year ended June 30, 2017, in accordance with the basis of accounting described in Note 1.

Other Matters

Supplementary Information

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

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 October 4, 2021, on our consideration of Delaware County’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County’s internal control over financial reporting or on compliance. That report is an integral part

of an audit performed in accordance with *Government Auditing Standards* in considering Delaware County's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Cindy Byrd". The signature is written in a cursive style with a large initial "C".

CINDY BYRD, CPA

October 4, 2021

REGULATORY BASIS FINANCIAL STATEMENT

DELAWARE COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS
(WITH COMBINING INFORMATION)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Beginning Cash Balances July 1, 2016	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2017
Combining Information:						
County General Fund	\$ 584,943	\$ 4,756,364	\$ 1,261,925	\$ 1,233,000	\$ 5,015,134	\$ 355,098
County Highway Cash	1,051,949	3,977,157	618,343	373,191	3,994,506	1,279,752
County Health	782,091	763,409	-	-	744,057	801,443
1/2 Cent Solid Waste Sales Tax	-	1,716,682	-	-	1,716,682	-
Fire Departments Sales Tax	2,423,032	1,537,315	-	-	1,604,773	2,355,574
1/2 Cent Courthouse Sales Tax	80,421	139	-	-	44,330	36,230
1/2 Cent Justice Authority Sales Tax	590,129	1,729,423	-	14,750	1,039,687	1,265,115
County Bridge and Road Improvement Fund (CBRI 105)	396,589	464,560	547,518	443,578	459,548	505,541
Sheriff Service Fee	118,850	429,472	-	-	375,326	172,996
Trash Cop Fine	-	765	-	-	741	24
Sheriff Courthouse Security	21,696	36,165	-	-	-	57,861
Resale Property	629,499	378,144	362,369	350,000	372,127	647,885
County Clerk Lien Fee	29,208	22,860	-	-	21,897	30,171
Treasurer Mortgage Tax Certification Fee	65,850	8,955	50,000	50,000	5,905	68,900
Assessor Revolving	23,939	1,649	-	9,000	15,867	721
Sheriff Department of Corrections	6,393	76,196	-	-	67,126	15,463
County Clerk Records Management and Preservation Use Tax	103,357 775,381	55,689 315,214	80,000 423,000	80,000 423,000	27,240 462,690	131,806 627,905
Sheriff Special Forfeiture	4,134	18,531	-	-	459	22,206
Sheriff Training	9,252	11,500	-	-	12,084	8,668
Community Center	1,015	12,000	-	-	7,654	5,361
Emergency Management Performance Grant (EMPG)	5,180	25,000	-	-	23,121	7,059
Courthouse Renovation Donations	1,848	-	-	-	-	1,848
Sheriff K-9	3,586	-	-	-	785	2,801
Circuit Engineering District (CED 1-3-08)	4,257	-	-	4,257	-	-
Civil Emergency Management	5,842	50,005	-	-	41,930	13,917
Delaware County Flood Planning	1,030	505	-	-	842	693
Courthouse Maintenance and Operation	259	-	-	259	-	-
Sheriff Commissary Profit	5,154	33,109	-	-	25,445	12,818
Alternative to Detention of Juveniles	9,075	12,290	-	-	12,352	9,013
Serena Bradley Property	4,916	-	-	4,916	-	-
State Disaster 2013-2660	52,173	-	-	52,173	-	-
Rural Water District 10 Community Development Block Grant	26,900	9,625	-	22,075	14,050	400
Delaware County Economic TIF District Authority Sales Tax	15,127	20,345	-	-	-	35,472
Court Clerk Special	10,705	283,120	-	-	286,260	7,565
Local Emergency Planning Commission	1,000	-	-	-	837	163
Rural Economic Action Plan (REAP) Grant	-	17,985	-	-	17,985	-
Library Roof Donation	-	4,700	-	-	4,700	-
Tia Juana Fire Department Donation	-	62,000	-	-	-	62,000
Combined Total - All County Funds, As Restated	\$ 7,844,780	\$ 16,830,873	\$ 3,343,155	\$ 3,060,199	\$ 16,416,140	\$ 8,542,469

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

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

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

B. Fund Accounting

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

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

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

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

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

½ Cent Solid Waste Sales Tax – accounts for the collection of sales tax revenues for the purpose of providing solid waste services for the County as restricted by the sales tax resolution.

Fire Departments Sales Tax – accounts for the collection of sales tax and miscellaneous revenue for the use of the Bernice, Butler, Cleora, Colcord, Cowskin, Eucha, Flint Ridge, Grove, Hickory Grove, Jay, Kansas, Kenwood, Lakemont Shores, Leach, Monkey Island, Oaks, Tia

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

Juana, Tiff City, West Siloam Springs, and Zena rural fire districts as restricted by the sales tax resolution.

½ Cent Courthouse Sales Tax – accounts for monies held from an expired county sales tax and disbursed for improvements of the courthouse.

½ Cent Justice Authority Sales Tax – accounts for the collection of sales tax revenues for the purpose of paying for a judgement against the County.

County Bridge and Road Improvement Fund (CBRI 105) – accounts for state funds to be used for the construction of roads and bridges throughout the County.

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

Trash Cop Fine – accounts for a percentage of the fees collected from littering tickets and disbursements are for the operation of the trash cop program.

Sheriff Courthouse Security – accounts for the receipt and disbursement of court fees for courthouse security.

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

County Clerk Lien Fee – accounts for lien collections and disbursements as restricted by state statute.

Treasurer Mortgage Tax Certification Fee – accounts for the collection of fees by the County Treasurer for mortgage tax certificates and the disbursement of the funds as restricted by state statute.

Assessor Revolving – accounts for revenues for copy fees charged by the County Assessor and disbursements as restricted by state statute.

Sheriff Department of Corrections – accounts for the monies received from the State of Oklahoma for the boarding and feeding of Department of Corrections' prisoners and for the service fees received for transportation of inmates and juveniles.

County Clerk Records Management and Preservation – accounts for fees collected for instruments filed in the County Clerk's office. Disbursements are for the maintenance and preservation of public records as restricted by state statute.

Use Tax – accounts for revenues from sales tax charged to out-of-county vendors on in-county sales tax. Disbursements are for the legal expenses of the County.

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

Sheriff Special Forfeiture – accounts for collections from the sale of property forfeited in drug related cases. Disbursements are for drug enforcement expenses.

Sheriff Training – accounts for collections from seized monies forfeited in drug cases. Disbursements are for lodging and travel expenses incurred during officer training.

Community Center – accounts for donations from the City of Jay. Disbursements are for the general operations of the Jay Community Center.

Emergency Management Performance Grant (EMPG) – accounts for the receipt and disbursement of funds from state and local governments for the operations of the Emergency Management office.

Courthouse Renovation Donations – accounts for public donations to be used for improvements to the courthouse.

Sheriff K-9 – accounts for donations from the community for the purpose of K-9 training and upkeep.

Circuit Engineering District (CED 1-3-08) – accounts for collections from a pool of funds available from the Circuit Engineering District Board, funded through state/county funds. Disbursements are for road and bridge projects.

Civil Emergency Management – accounts for the receipt and disbursement of funds from federal, state, and local governments for the operations of the Emergency Management office.

Delaware County Flood Planning – accounts for revenues from fees collected from flood plain permits and map charges. Disbursements are for flood planning operations.

Courthouse Maintenance and Operation – accounts for funds for the maintenance and operation of the courthouse.

Sheriff Commissary Profit – accounts for collections from commissary sales to inmates in the County jail. Disbursements are for the operation of the jail as restricted by state statute.

Alternative to Detention of Juveniles – accounts for travel reimbursements from the State of Oklahoma for the transport of juvenile offenders.

Serena Bradley Property – accounts for the revenues the County collected from the sale of a foreclosed property that was donated to the County. Disbursements were for closing costs incurred by the County.

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

State Disaster 2013-2660 – accounts for federal funding for Federal Emergency Management Agency declared disasters. Disbursements are for costs incurred for repairing damages caused by the disasters.

Rural Water District 10 Community Development Block Grant – accounts for the receipt of federal funds to be expended in accordance with grant guidelines and contract for construction/repair of Rural Water District 10.

Delaware County Economic TIF District Authority Sales Tax – accounts for sales tax revenue to be paid to the Shangri-La Resort/TIF District.

Court Clerk Special – accounts for funds deposited to be used for payroll for the Court Clerk’s office.

Local Emergency Planning Commission – accounts for revenues from a state grant to cover the cost of paperwork for hazardous materials that are moved within the County. Disbursements are restricted by the grant agreement.

Rural Economic Action Plan (REAP) Grant – accounts for monies received from state grants and disbursed as restricted by grant requirements.

Library Roof Donation – accounts for donations from the Cherokee Nation to be used for library roof repairs.

Tia Juana Fire Department Donation – accounts for donations from the Tia Juana Fire Department to be used for construction of a new fire house.

C. Basis of Accounting

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

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

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

audit in the Statement of Receipts, Disbursements, and Changes in Cash Balances—Regulatory Basis.

D. Budget

Under current Oklahoma Statutes, a general fund and a county health department fund are the only funds required to adopt a formal budget. On or before May 31 of each year, each officer or department head submits an estimate of needs (budget) to the governing body. The budget is approved for the respective fund by office, or department and object. Within weeks, the County Budget Board may approve changes of appropriations within the fund by office or department and object.

E. Cash and Investments

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

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

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

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

2. Ad Valorem Tax

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

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

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

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

3. Other Information

A. Pension Plan

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

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

B. Other Post Employment Benefits (OPEB)

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

C. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, primarily the federal government. Any disallowed claims, including amounts 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.

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

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

D. Sales Tax

Sales Tax of March 8, 1988

The voters of Delaware County approved a permanent one-half percent (1/2%) sales tax on March 8, 1988. This sales tax was established to provide revenue to be used for the acquisition, establishment, and operation of solid waste services for the people of Delaware County. These funds are accounted for in the ½ Cent Solid Waste Sales Tax fund.

Sales Tax of May 8, 2001

The voters of Delaware County approved a four-tenths of one percent (0.4%) percent sales tax on May 8, 2001. This sales tax was established for the purpose of constructing or improving fire stations, purchase of equipment, training, education, and general maintenance and operation of nineteen (19) fire departments in Delaware County, Oklahoma. The monthly income of the sales tax was to be divided equally between the following nineteen (19) fire departments:

- | | |
|----------------------------------|--|
| 1. Bernice Fire Department | 11. Kenwood Fire Department |
| 2. Cleora Fire Department | 12. Lakemont Shore Fire Department |
| 3. Colcord Fire Department | 13. Leach Fire Department |
| 4. Cowskin Fire Department | 14. Monkey Island Fire Department |
| 5. Eucha Fire Department | 15. Oaks Fire Department |
| 6. Flint Ridge Fire Department | 16. Tia Juana Fire Department |
| 7. Grove Fire Department | 17. Tiff City Fire Department |
| 8. Hickory Grove Fire Department | 18. West Siloam Springs Fire
Department |
| 9. Jay Fire Department | 19. Zena Fire Department |
| 10. Kansas Fire Department | |

On October 28, 2002 the Board of County Commissioners (BOCC) voted to allow Butler Fire Department to receive an equal share of the sales tax revenue. These funds are accounted for in the Fire Departments Sales Tax fund.

Sales Tax TIF District of June 30, 2008

On June 30, 2008, Grand Lake Economic Development Authority and Delaware County adopted a TIF (Tax Increment Financing) District for the purpose of “reversing the conditions of arrested economic development which occurred as a consequence of the failure and bankruptcy of the former Shangri-La Resort on Grand Lake” and to restore and enhance the property back to its previous status by a “Redeveloper”. The project costs authorized by this plan shall not exceed twenty-five (25) years. The project area comprises approximately 415 acres and is known as

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

Increment District Number 1 where the increment will be generated. Increment District Number 1 is an ad valorem, use, and sales tax increment district. These funds are accounted for in the Delaware County Economic TIF District Authority Sales Tax fund.

Sales Tax of April 3, 2012

On April 3, 2012, the voters of Delaware County (the County) approved a one-half of one percent (1/2%) sales tax to terminate at seventeen (17) years from the effective date of July 1, 2012 or until any debt issued to satisfy the balance due and owing on the judgement entered against Delaware County in case 09-CV-407-JHP (the Judgement) has been satisfied, whichever occurs sooner. These funds are accounted for in the ½ Cent Justice Authority Sales Tax fund.

According to the Sales Tax Agreement of May 1, 2012 (the Agreement) between the County and the Delaware County Justice Authority (the Authority), the County requested the Authority issue revenues bonds and loan the proceeds to the County for the purpose of paying the Judgement and the County agreed to levy, pledge, and appropriate the sales tax revenues to the Authority for the purpose of paying and securing the revenue bonds.

E. Tax Abatements

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

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

The County had \$11,445 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.

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

F. Interfund Transfers

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

- \$100,000 was transferred from the County Highway Cash fund to the County General Fund for the purpose of funding operating expenses as allowed by 68 O.S. § 3021.
- \$100,000 was transferred from the County General Fund to the County Highway Cash fund for reimbursement of funding provided for the operating expenses as allowed by 68 O.S. § 3021.
- \$230,000 was transferred from the County Bridge and Road Improvement Fund (CBRI 105) to the County General Fund for the purpose of funding operating expenses as allowed by 68 O.S. § 3021.
- \$230,000 was transferred from the County General Fund to the County Bridge and Road Improvement Fund (CBRI 105) for reimbursement of funding provided for the operating expenses as allowed by 68 O.S. § 3021.
- \$350,000 was transferred from the Resale Property fund to the County General Fund for the purpose of funding operating expenses as allowed by 68 O.S. § 3021.
- \$350,000 was transferred from the County General Fund to the Resale Property fund for the reimbursement of funding provided for the operating expenses as allowed by 68 O.S. § 3021.
- \$50,000 was transferred from the Treasurer Mortgage Tax Certification Fee fund to the County General Fund for the purpose of funding operating expenses as allowed by 68 O.S. § 3021.
- \$50,000 was transferred from the County General Fund to the Treasurer Mortgage Tax Certification Fee fund for the reimbursement of funding provided for the operating expenses as allowed by 68 O.S. § 3021.
- \$80,000 was transferred from the County Clerk Records Management and Preservation fund to the County General Fund for the purpose of funding operating expenses as allowed by 68 O.S. § 3021.
- \$80,000 was transferred from the County General Fund to the County Clerk Records Management and Preservation fund for the reimbursement of funding provided for the operating expenses as allowed by 68 O.S. § 3021.
- \$423,000 was transferred from the Use Tax fund to the County General Fund for the purpose of funding operating expenses as allowed by 68 O.S. § 3021.

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

- \$423,000 was transferred from the County General Fund to the Use Tax fund for the reimbursement of funding provided for the operating expenses as allowed by 68 O.S. § 3021.
- \$9,000 was transferred from the Assessor Revolving fund to the County General Fund for the purpose of funding operating expenses as allowed by 68 O.S. § 3021.
- \$285,500 was transferred from the Emergency and Transportation Revolving-New Life Ranch fund, a trust and agency fund, to the County Highway Cash fund to reimburse the County Highway Cash fund for road and bridge projects.
- \$225,750 was transferred from County Highway Cash fund to the Emergency and Transportation Revolving-New Life Ranch fund, a trust and agency fund, to repay a loan used for road and bridge projects in the County.
- \$110,000 was transferred from the Emergency and Transportation Revolving-Wolf Creek Bridge fund, a trust and agency fund, to the County Highway Cash fund to reimburse the County Highway Cash fund for road and bridge projects.
- \$600 was transferred from the County Highway Cash fund to the Emergency and Transportation Revolving-Wolf Creek Bridge fund, a trust and agency fund, to repay a loan used for road and bridge projects in the County.
- \$70,670 was transferred from the Emergency and Transportation Revolving-Whitewater Bridge fund, a trust and agency fund, to the County Highway Cash fund to reimburse the County Highway Cash fund for road and bridge projects.
- \$46,841 was transferred from the County Highway Cash fund to the Emergency and Transportation Revolving-Whitewater Bridge fund, a trust and agency fund, to repay a loan used for road and bridge projects in the County.
- \$141,186 was transferred from the Emergency and Transportation Revolving-700 RD fund, a trust and agency fund, to the County Bridge and Road Improvement Fund (CBRI 105) to reimburse the County Bridge and Road Improvement Fund (CBRI 105) for road and bridge projects.
- \$150,000 was transferred from the County Bridge and Road Improvement Fund (CBRI 105) to the Emergency Transportation Revolving-700 RD fund, a trust and agency fund, to repay a loan used for road and bridge projects in the County.
- \$75,000 was transferred from the Emergency and Transportation Revolving-Copeland fund, a trust and agency fund, to the County Bridge and Road Improvement Fund (CBRI 105) to reimburse the County Bridge and Road Improvement Fund (CBRI 105) for road and bridge projects.

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

- \$27,500 was transferred from the County Bridge and Road Improvement Fund (CBRI 105) to the Emergency Transportation Revolving-Copeland fund, a trust and agency fund, to repay a loan used for road and bridge projects in the County.
- \$75,000 was transferred from the Emergency and Transportation Revolving-Shackelford fund, a trust and agency fund, to the County Bridge and Road Improvement Fund (CBRI 105) to reimburse the County Bridge and Road Improvement Fund (CBRI 105) for road and bridge projects.
- \$36,078 was transferred from the County Bridge and Road Improvement Fund (CBRI 105) to the Emergency Transportation Revolving-Shackelford fund, a trust and agency fund, to repay a loan used for road and bridge projects in the County.
- \$4,257 was transferred from the Circuit Engineering District (CED 1-3-08) fund to the County Bridge and Road Improvement Fund (CBRI 105) to close out the Circuit Engineering District (CED 1-3-08) fund.
- \$12,369 was transferred from the Excess Resale fund, a trust and agency fund, to the Resale Property fund in accordance with 68 O.S. § 3131c.
- \$259 was transferred from the Courthouse Maintenance and Operation fund to the County General Fund to close out the Courthouse Maintenance and Operation fund.
- \$14,750 was transferred from the ½ Cent Justice Authority Sales Tax fund to the County General Fund to correct a prior year apportionment error.
- \$52,173 was transferred from the State Disaster 2013-2660 fund to the County Highway Cash fund to close out the State Disaster 2013-2660 fund.
- \$22,075 was transferred from the Rural Water District 10 Community Development Block Grant fund to the County Bridge and Road Improvement Fund (CBRI-105) to correct a prior year apportionment error.
- \$4,916 was transferred from the Serena Bradley Property fund to the County General Fund to correct a prior year apportionment error.

G. Restatement of Fund Balance

During the fiscal year, the County made a transfer to correct a prior year ending balance error. The Emergency Management Performance Grant (EMPG) fund current year beginning balance, as reported, was corrected due to prior year revenue not being posted to the general ledger upon receipt of funds.

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

Prior year ending balance, as reported	\$7,842,280
Error in reporting of Prior Year Ending Balances:	
Emergency Management Performance Grant (EMPG) fund balance was understated resulting in the ending cash balance being understated	<u>2,500</u>
Prior year ending balance, as restated	<u>\$7,844,780</u>

SUPPLEMENTARY INFORMATION

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

	General Fund		
	Budget	Actual	Variance
District Attorney	\$ 5,000	\$ 5,000	\$ -
County Sheriff	1,105,591	1,061,690	43,901
County Treasurer	194,643	193,988	655
County Commissioners	208,505	208,505	-
O.S.U. Extension	72,467	60,520	11,947
County Clerk	372,654	369,262	3,392
Court Clerk	154,778	154,681	97
County Assessor	230,603	229,912	691
Revaluation of Real Property	545,892	523,695	22,197
General Government	1,800,482	1,694,088	106,394
Excise - Equalization Board	2,239	1,893	346
County Election Board	111,553	106,819	4,734
Charity	1,000	400	600
Emergency Management	34,025	33,778	247
Maintenance	51,587	43,552	8,035
Human Resources	29,336	28,675	661
County Audit Budget	108,775	72,214	36,561
Free Fair Budget Account	36,820	16,223	20,597
E-911	258,445	220,939	37,506
Total Expenditures, Budgetary Basis	\$ 5,324,395	\$ 5,025,834	\$ 298,561

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

	Health Fund		
	Budget	Actual	Variance
Health and Welfare	\$ 1,313,769	\$ 678,924	\$ 634,845
Total Expenditures, Budgetary Basis	\$ 1,313,769	\$ 678,924	\$ 634,845

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

1. Budgetary Schedules

The Comparative Schedules of Expenditures—Budget and Actual—Budgetary Basis for the General Fund and the County Health Department Fund present comparisons of the legally adopted budget with actual data. The "actual" data, as presented in the comparison of budget and actual, will differ from the data as presented in the Statement of Receipts, Disbursements, and Changes in Cash Balances (with Combining Information) because of adopting certain aspects of the budgetary basis of accounting and the adjusting of encumbrances and outstanding warrants to their related budget year.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in these funds. At the end of the year unencumbered appropriations lapse.

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
DELAWARE COUNTY, OKLAHOMA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined total—all funds of the accompanying Statement of Receipts, Disbursements, and Changes in Cash Balances (with Combining Information) of Delaware County, Oklahoma, as of and for the year ended June 30, 2017, and the related notes to the financial statement, which collectively comprises Delaware County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated October 4, 2021.

Our report included an adverse opinion on the financial statement because the statement is prepared using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County for the year ended June 30, 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 Delaware 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 Delaware County's internal control. Accordingly, we do not express an opinion on the effectiveness of Delaware County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.



A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses: 2017-001, 2017-005, and 2017-008.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses to be significant deficiency: 2017-004.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Delaware County's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Delaware County's Response to Findings

Delaware County's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Delaware County's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on the response.

Purpose of this Report

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

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



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

October 4, 2021

**DELAWARE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

Finding 2017-001 – Lack of County-Wide Internal Controls and Disaster Recovery Plan (Repeat Finding – 2015-001, 2016-001)

Condition: When assessing the county-wide internal controls, the following weaknesses were noted:

- County-wide internal controls regarding Risk Assessment and Monitoring have not been designed.
- The County Sheriff does not have a Disaster Recovery Plan over information systems operating within his office.

Cause of Condition: Policies and procedures have not been designed and implemented to address county-wide internal controls and to ensure all officers have a Disaster Recovery Plan in place.

Effect of Condition: Without an adequate system of county-wide controls, there is greater risk of a breakdown in control activities which could result in unrecorded transactions, undetected errors, or misappropriation of funds. Further, the lack of a Disaster Recovery Plan could also result in the loss of data, the unreliability of data, and increase the risk that the County may not recover from an emergency and/or disaster in a timely manner.

Recommendation: The Oklahoma State Auditor and Inspector's Office (OSAI) recommends that the County design and implement a system of county-wide procedures to identify and address risks related to financial reporting and to ensure that information is communicated effectively. OSAI also recommends that the County design monitoring procedures to assess the quality of performance over time. These procedures should be written policies and procedures and could be included in the County's policies and procedures handbook.

OSAI further recommends the County Sheriff have a formal Disaster Recovery Plan for his office in order to maintain operations in the event of a disaster.

Management Response:

Chairman of the Board of County Commissioners/District 1 County Commissioner: I was not in office in fiscal year 2017. However, we now hold annual meetings to discuss risk assessment and monitoring by utilizing OSAI's County-Wide Internal Control's Checklist Form #500.

County Sheriff: I was not Sheriff in fiscal year 2017. A Disaster Recovery Plan is currently being designed.

Criteria: The United States Government Accountability Office's *Standards for Internal Control in the Federal Government* (2014 version) aided in guiding our assessments and conclusion. Although this publication (GAO Standards) addresses controls in the federal government, this criterion can be treated as

**DELAWARE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

best practices and may be applied as a framework for an internal control system for state, local, and quasi-governmental entities.

The GAO Standards – Section 1 – Fundamental Concepts of Internal Control – OV1.01 states in part:

Definition of Internal Control

Internal control is a process effected by an entity’s oversight body, management, and other personnel that provides reasonable assurance that the objectives of an entity will be achieved.

Additionally, GAO Standards – Section 2 – Establishing an Effective Internal Control System – OV2.04 states in part:

Components, Principles, and Attributes

Control Environment - The foundation for an internal control system. It provides the discipline and structure to help an entity achieve its objectives.

Risk Assessment - Assesses the risks facing the entity as it seeks to achieve its objectives. This assessment provides the basis for developing appropriate risk responses.

Information and Communication - The quality information management and personnel communicate and use to support the internal control system.

Monitoring - Activities management establishes and operates to assess the quality of performance over time and promptly resolve the findings of audits and other reviews.

Further, an important aspect of internal controls is the safeguarding of assets which includes adequate Disaster Recovery Plans. 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 in a county being unable to function in the event of a disaster.

According to the standards of the Information Systems Audit and Control Association (CobiT Delivery and Support 4), information services function management should ensure that a written Disaster Recovery Plan is documented and contains guidelines and instructions for the County to follow in the event of a disaster.

Finding 2017-004 - Lack of Internal Controls Over Financial Statement Preparation, Notes to the Financial Statements and Supplemental Information

Condition: The County is responsible for preparing their annual financial statement, notes to the financial statement, and supplemental information. However, this required information was not submitted to, and received by OSAI, until March 26, 2019, twenty-one (21) months after fiscal year end.

**DELAWARE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Additionally, during the review and reconciliation of the financial statement, as initially prepared by the County, the following was noted:

- Apportionments were overstated by \$192,823.
- Disbursements were overstated by \$224,785.
- Beginning fund balance was overstated by \$58,971.
- Ending fund balance was overstated by \$51,458.

Furthermore, the misclassification of error corrections and transfers resulted in transfers in being overstated by \$194,266 and transfers out being overstated by \$169,817.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure the County's financial statement, notes to the financial statement, and supplemental information are presented accurately and in a timely manner.

Effect of Condition: These conditions resulted in the cash balance, revenues, and disbursements being inaccurately reported on the County financial statement and the County's financial statement, notes to the financial statement, and supplemental information not being completed in a timely manner.

Recommendation: OSAI recommends the County design and implement policies and procedures to ensure the financial statement, notes to the financial statement, and supplemental information are prepared in a timely manner, reviewed for accuracy and completeness, and approved by management. OSAI also recommends the County present financial statements and applicable notes to the financial statements to OSAI in a timely manner.

Management Response:

Chairman of Board of County Commissioners/District 1 County Commissioner: I was not in office in fiscal year 2017. Going forward, I will ensure that the financial statements received from our Certified Public Accountant (CPA) are reviewed for accuracy and completeness before approval. Additionally, we will work to ensure that the approved financial statements are presented to OSAI in a timely manner.

County Clerk: I will work with our budget maker to try and ensure the financial statements are completed in a timely manner. In addition, I will carefully review the financial statements to make sure it is complete and accurate.

County Treasurer: When we receive the financial statements, I will review them for accuracy and completeness. Additionally, I will work to ensure the financial statements are provided to OSAI in a timely manner.

Criteria: The limitations of the auditor are described in the American Institute of Certified Public Accountants Clarified Statements on Auditing Standards AU-C § 210, which states, in part: "The concept of an independent audit requires that the auditor's role does not involve assuming management's responsibility for the preparation and fair presentation of the financial statements or assuming responsibility for the entity's related internal control and that the auditor has a reasonable expectation of obtaining the

**DELAWARE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

information necessary for the audit insofar as management is able to provide or procure it. Accordingly, the premise is fundamental to the conduct of an independent audit.”

The County’s management is responsible for establishing internal control procedures to prevent or detect misstatements in a timely manner. This includes preparation of the financial statements and accompanying notes to the financial statements in accordance with applicable accounting principles. Statement on Auditing Standards (SAS) No. 115 indicates that the County must have adequate knowledge and expertise to apply accounting principles to the financial statements or to review financial statements prepared on their behalf by others to ensure they are prepared in accordance with these principles. Professional audit standards preclude the external financial statement auditor from performing any part of management’s control activities or be a component of the internal controls over financial reporting as this would impair their independence.

The County is required to present a financial statement for each fiscal year ended June 30. Title 19 O.S. § 171 states in part, "Unless the county elects to prepare its financial statement in accordance with Generally Accepted Accounting Principles as prescribed by the Governmental Accounting Standards Board, the county shall present their financial statements in a regulatory basis of accounting."

Finding 2017-005 – Lack of Internal Controls Over County Treasurer Operations

Condition: Upon inquiry of the County Treasurer’s staff, observation, and review of County records, we noted the following:

- There is no evidence to indicate certified levies, input into the Treasurer’s ad valorem system, are reviewed for accuracy by someone other than the person who input the data.
- There is no evidence to indicate the calculation of sales tax collections prepared and apportioned by the County Treasurer is reviewed for accuracy by someone other than the preparer.

Cause of Condition: Policies and procedures have not been designed and implemented to document and retain evidence of procedures performed to ensure ad valorem levies are accurately entered into the ad valorem system and sales tax collections are apportioned in accordance with sales tax ballots.

Effect of Condition: These conditions could result in unrecorded transactions, misstated financial reports, clerical errors or misappropriation of funds not being detected in a timely manner.

Recommendation: OSAI recommends 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. 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’s review and approval of accounting functions.

**DELAWARE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Management Response:

County Treasurer: We now have someone who enters the levies and someone else who reviews the entered levies for accuracy. Additionally, someone now reviews the sales tax collections that I prepare for accuracy.

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

Segregation of Duties

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

Additionally, Principle 10 - Segregation of Duties states:

10.12 – Management considers segregation of duties in designing control activity responsibilities so that incompatible duties are segregated and, where such segregation is not practical, designs alternative control activities to address the risk.

10.13 – Segregation of duties helps prevent fraud, waste, and abuse in the internal control system. Management considers the need to separate control activities related to authority, custody, and accounting of operations to achieve adequate segregation of duties. In particular, segregation of duties can address the risk of management override. Management override circumvents existing control activities and increases fraud risk. Management addresses this risk through segregation of duties but cannot absolutely prevent it because of the risk of collusion, where two or more employees act together to commit fraud.

10.14 - If segregation of duties is not practical within an operational process because of limited personnel or other factors, management designs alternative control activities to address the risk of fraud, waste, or abuse in the operational process.

Finding 2017-008 - Lack of Internal Controls Over Payroll Process (Repeat Finding 2007-11, 2008-10)

Condition: Upon inquiry and observation of the County’s payroll process, we noted the following:

- One employee, the Payroll Clerk, is responsible for enrolling new employees, terminating employees from the payroll system, inputting and updating all payroll information in the system, calculating deductions and preparing deduction report, preparing and printing payroll warrants, preparing direct deposit and direct deposit reports, and is the contact person for the bank for all direct deposit issues.
- There is no indication of an independent review of the deduction or direct deposit calculations.

**DELAWARE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Cause of Condition: Policies and procedures have not been designed and implemented with regards to segregation of duties and/or compensating controls over the payroll process.

Effect of Condition: These conditions could result in unrecorded transaction, misstated financial records, undetected errors, or misappropriation of funds.

Recommendation: OSAI recommends 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. 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.

The following key accounting functions of the payroll process should be adequately segregated:

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

Additionally, OSAI recommends someone other than the person who prepares the direct deposit be the contact person for the bank.

Management Response:

County Clerk: I am currently working with an employee to be able to separate the duties of the entry and exit of employees in the accounting system. Additionally, another employee is being trained to review and initial work performed by the Payroll Clerk.

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

Internal Control System Monitoring

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

Segregation of Duties

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

**DELAWARE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Additionally, Principle 10 - Segregation of Duties states:

10.12 – Management considers segregation of duties in designing control activity responsibilities so that incompatible duties are segregated and, where such segregation is not practical, designs alternative control activities to address the risk.

10.13 – Segregation of duties helps prevent fraud, waste, and abuse in the internal control system. Management considers the need to separate control activities related to authority, custody, and accounting of operations to achieve adequate segregation of duties. In particular, segregation of duties can address the risk of management override. Management override circumvents existing control activities and increases fraud risk. Management addresses this risk through segregation of duties but cannot absolutely prevent it because of the risk of collusion, where two or more employees act together to commit fraud.

10.14 – If segregation of duties is not practical within an operational process because of limited personnel or other factors, management designs alternative control activities to address the risk of fraud, waste, or abuse in the operational process.

O·K·L·A·H·O·M·A
SAI
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