



LOGAN COUNTY

Financial Report

For the fiscal year ended June 30, 2018

Cindy Byrd, CPA
State Auditor & Inspector

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

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Cindy Byrd, CPA | State Auditor & Inspector

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March 10, 2021

TO THE CITIZENS OF
LOGAN COUNTY, OKLAHOMA

Transmitted herewith is the audit of Logan County, Oklahoma for the fiscal year ended June 30, 2018. The audit was conducted in accordance with 19 O.S. § 171.

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

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

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

Sincerely,

A handwritten signature in blue ink that reads "Cindy Byrd". The signature is fluid and cursive, with the first and last names clearly legible.

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



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

Board of County Commissioners

District 1 – Marven Goodman
District 2 – Michael Pearson
District 3 – Monty Pearcey

County Assessor

Tisha Hampton

County Clerk

Troy Cole

County Sheriff

Damon R. Devereaux

County Treasurer

Sherri Longnecker

Court Clerk

Cheryl Smith

District Attorney

Laura Austin Thomas

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

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FINANCIAL SECTION

Independent Auditor's Report

TO THE OFFICERS OF
LOGAN 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 Logan County, Oklahoma, as of and for the year ended June 30, 2018, and the related notes to the financial statement, which collectively comprise the County's basic financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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



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

As described in Note 1, the financial statement is prepared by Logan 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 Logan County as of June 30, 2018, or changes in financial position for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash balances for all county funds of Logan County, for the year ended June 30, 2018, in accordance with the basis of accounting described in Note 1.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the combined total of all county funds on the financial statement. The 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 March 3, 2021, on our consideration of Logan 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 Logan County's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Cindy Byrd". The signature is written in a cursive, flowing style.

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

March 3, 2021

REGULATORY BASIS FINANCIAL STATEMENT

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

	Beginning Cash Balances July 1, 2017	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2018
Combining Information:						
County General Fund	\$ 1,694,479	\$ 4,859,885	\$ 101,506	\$ 100,000	\$ 4,736,004	\$ 1,819,866
County Highway Cash	2,191,803	4,703,687	-	-	4,518,165	2,377,325
Sheriff Fee Cash	532,239	314,780	-	-	443,881	403,138
County Clerk Fee Cash	221,078	30,024	-	-	18,585	232,517
Resale Property	454,491	233,000	100,000	100,000	288,550	398,941
County Clerk Preservation	170,943	63,670	-	-	74,827	159,786
County Bridge and Road Improvement	511,038	348,697	-	-	285,430	574,305
Oaksprings Road	27,725	7,027	-	-	-	34,752
Sherwood Road	3,209	2,694	-	-	-	5,903
County Treasurer Mortgage Certification Fee	4,436	10,660	-	-	11,266	3,830
Evergreen Hills Road	19,814	1,762	-	-	-	21,576
County Sales Tax Fire Districts	2,161,749	1,044,306	-	-	1,041,551	2,164,504
Jail Sales Tax	1,023,950	1,033,701	-	-	1,317,756	739,895
County Assessor Fee Cash	10,971	3,333	-	-	-	14,304
Sheriff Commissary	108,968	127,705	-	-	109,937	126,736
Safe Room Project	1,061	-	-	1,061	-	-
Reward Fund	1,219	-	-	-	-	1,219
Local Emergency Planning Committee Grant	12,291	4,000	-	-	3,000	13,291
Emergency Management	1,574	-	-	-	-	1,574
Sheriff Revolving	1,009,107	1,058,807	-	-	1,483,626	584,288
County Health Department	802,911	1,176,951	-	-	1,008,580	971,282
Sheriff Training	17,087	2,400	-	-	8,164	11,323
Sheriff Drug Buy Cash	50	50	-	-	100	-
Sheriff Drug Forfeiture	18,949	-	-	-	12,500	6,449
Federal Equitable Sharing	24	-	-	24	-	-
Sheriff Drug Cash Fund	1,954	125	-	-	75	2,004
Spring Ridge Road	3,706	897	-	-	-	4,603
Court Fund Salaries	99,918	68,392	-	-	56,690	111,620
Highway Sales Tax	882,396	1,278,852	-	-	800,594	1,360,654
FEMA - 2014 Wildfire	2,537	-	-	-	-	2,537
Floodplain	7,041	1,200	-	-	75	8,166
Combined Total - All County Funds	\$ 11,998,718	\$ 16,376,605	\$ 201,506	\$ 201,085	\$ 16,219,356	\$ 12,156,388

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

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

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

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

County Clerk Preservation – accounts for fees charged by the County Clerk for recording instruments. Disbursements are for the maintenance and preservation of public records.

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

County Bridge and Road Improvement – accounts for state receipts and disbursements are for the purpose of constructing and maintaining county roads and bridges.

Oaksprings Road – accounts for collections from tax levies. Disbursements are for the maintenance and improvement of Oaksprings Road.

Sherwood Road – accounts for collections from tax levies. Disbursements are for the maintenance and improvement of Sherwood Road.

County Treasurer Mortgage Certification Fee – accounts for fees from certifying mortgages. Disbursement are for any lawful expense of the Treasurer’s office.

Evergreen Hills Road – accounts for collections from tax levies. Disbursements are for the maintenance and improvement of Evergreen Hills Road.

County Sales Tax Fire Districts – accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax resolution.

Jail Sales Tax – accounts for the collection of sales tax revenue and disbursements of funds as restricted by the sales tax resolution.

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

Sheriff Commissary – accounts for profits on commissary sales in the County jail. Disbursements are to improve or provide jail services.

Safe Room Project – accounts for federal grant funds received for the reimbursement of storm shelter installation.

Reward Fund – accounts for funds used by the County Sheriff to offer rewards to citizens who provide information for the furtherance of a case.

Local Emergency Planning Committee Grant – accounts for the receipt and disbursement of funds from state and local governments as restricted by the grant agreement.

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

Sheriff Revolving – accounts for collections by the County Sheriff’s office for the housing of state and federal inmates. Disbursements are for the lawful operations of the jail.

County Health Department – accounts for monies collected on behalf of the county health department from ad valorem taxes, state and local revenues, and miscellaneous fees charged by the county health department. Disbursements are for the operation of the county health department.

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

Sheriff Training – accounts for unclaimed property. Disbursements are for officer training, equipment, and crime prevention.

Sheriff Drug Buy Cash – accounts for monies set aside for law enforcement sting operations.

Sheriff Drug Forfeiture – accounts for money awarded to the County Sheriff's office in drug forfeiture cases. Disbursements are for the lawful operation of the Sheriff's office to be used for enforcement of controlled dangerous substance laws, drug abuse prevention, and education.

Federal Equitable Sharing – accounts for federally forfeited cash, property, proceeds, and interest earned. Disbursements are for law enforcement purposes in accordance with state statutes and guidelines that govern the federal Equitable Sharing Program.

Sheriff Drug Cash Fund – accounts for the funds used by the County Sheriff's undercover agents in drug busts. Disbursements are to be used to purchase narcotics and/or information.

Spring Ridge Road – accounts for collections from tax levies. Disbursements are for the maintenance and improvement of the Spring Ridge Road addition.

Court Fund Salaries – accounts for funds deposited to be used for payroll for the Court Clerk's office.

Highway Sales Tax – accounts for the collection of sales tax revenue and disbursement of funds as restricted by the sales tax resolution.

FEMA – 2014 Wildfire – accounts for the collections of federal grant money from the Department of Homeland Security. Disbursements are for reimbursement of emergency personnel and equipment expenses associated with a large wildfire in 2014.

Floodplain – accounts for collection of fees for permits for building or construction projects being completed on floodplain land. Disbursements are for maintenance and operations of floodplain activities.

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

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

governments (primary only) are required to present their financial statements on a fund basis format with, at a minimum, the general fund and all other county funds, which represent ten percent or greater of total county revenue with all other funds included in the audit presented in the aggregate in a combining statement. However, the County has elected to present all funds included in the audit in the Statement of Receipts, Disbursements, and Changes in Cash Balances—Regulatory Basis.

D. Budget

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

E. Cash and Investments

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

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

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. §

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

2820.A. states, ". . . Each assessor shall thereafter maintain an active and systematic program of visual inspection on a continuous basis and shall establish an inspection schedule which will result in the individual visual inspection of all taxable property within the county at least once each four (4) years."

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

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

3. Other Information

A. Pension Plan

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

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.

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

C. Contingent Liabilities

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

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

D. Sales Tax

On August 26, 2014, the voters of Logan County approved a three-fourths of one percent ($\frac{3}{4}$ of 1%) sales effective on January 1, 2015 and be limited in duration of ten (10) years, terminating on December 31, 2024. The purpose of this sales tax was to provide one-third ($\frac{1}{3}$) of the revenue for road and bridge maintenance and improvements, one-third ($\frac{1}{3}$) for maintenance and operations of the Logan County Jail, and one-third ($\frac{1}{3}$) for maintenance, repairs, personnel benefits, personnel training, equipment purchases and/or capital outlay of the fire departments located with Logan County, Oklahoma. These funds are accounted for in the cash funds as reported on the County's Financial Statement as Highway Sales Tax fund, Jail Sales Tax fund, and County Sales Tax Fire Districts fund.

E. Interfund Transfers

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

- During the fiscal year ended June 30, 2018, Resale Property fund made an interfund loan to the County General Fund in the amount of \$100,000. The County General Fund repaid the loan to Resale Property fund in the amount of \$100,000 before the end of the fiscal year.
- \$1,061 residual was transferred from Safe Room Grant fund to County General Fund.
- \$24 residual was transferred from Federal Equitable Sharing fund to County General Fund.
- \$421 residual was transferred from Cemetery fund (a trust and agency fund) to County General Fund.

SUPPLEMENTARY INFORMATION

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

	General Fund		
	Budget	Actual	Variance
District Attorney - County	\$ 48,514	\$ 28,512	\$ 20,002
County Sheriff	1,136,505	1,126,011	10,494
County Treasurer	112,805	110,975	1,830
County Commissioners	207,506	197,896	9,610
OSU Extension	68,281	56,421	11,860
County Clerk	303,910	262,540	41,370
Court Clerk	151,105	145,499	5,606
County Assessor	223,703	219,290	4,413
Revaluation of Real Property	356,120	339,583	16,537
General Government	859,790	470,545	389,245
Excise - Equalization Board	1,900	203	1,697
County Election Expense	133,290	111,816	21,474
Insurance - Benefits	1,816,890	1,527,853	289,037
Charity	1,750	705	1,045
Civil Defense	62,005	60,938	1,067
Highway Budget Account	7,200	7,200	-
County Audit Budget Account	81,158	6,371	74,787
Free Fair Budget Account	108,825	108,825	-
Total Expenditures, Budgetary Basis	<u>\$ 5,681,257</u>	<u>\$ 4,781,183</u>	<u>\$ 900,074</u>

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

	Health Fund		
	Budget	Actual	Variance
Health and Welfare	\$ 1,564,434	\$ 1,196,636	\$ 367,798
Total Expenditures, Budgetary Basis	\$ 1,564,434	\$ 1,196,636	\$ 367,798

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

1. Budgetary Schedules

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

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

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
LOGAN 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 Logan County, Oklahoma, as of and for the year ended June 30, 2018, and the related notes to the financial statement, which collectively comprises Logan County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated March 3, 2021.

Our report included an adverse opinion on the financial statement because the statement is prepared using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County for the year ended June 30, 2018, on the basis of accounting prescribed by Oklahoma state law, described in Note 1.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered Logan 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 Logan County's internal control. Accordingly, we do not express an opinion on the effectiveness of Logan County's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or, detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be a material weakness: 2018-001.

Compliance and Other Matters

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

We noted certain matters regarding statutory compliance that we reported to the management of Logan County, which are included in Section 2 of the schedule of findings and responses contained in this report.

Logan County's Response to Findings

Logan County's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. Logan 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

March 3, 2021

**LOGAN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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 2018-001 - Lack of County Wide Controls (Repeat Finding 2011-001, 2012-001, 2013-001, 2014-001, 2015-001, 2016-001, and 2017-001)

Condition: Through the process of gaining an understanding of the County’s internal control structure, it was noted that county-wide controls regarding Risk Assessment and Monitoring have not been designed.

Cause of Condition: Policies and procedures have not been designed and implemented to address risk of the County.

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.

Recommendation: The Oklahoma State Auditor & 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 and implement 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.

Management Response:

Chairman of the Board of County Commissioners and County Clerk: Logan County Officers do meet periodically during the regular Board meetings. We do not discuss subjects that would subject the county to additional risk by discussing sensitive matters. The Open Meeting Act requires that any time two or more commissioners discuss county business it must be done in an open meeting. As it is completely unfair to expect that two elected officers sit out of a meeting and have no input, we do not have such meetings in a public form.

County Treasurer: The eight elected officials will try harder to schedule officer meetings to discuss county business and risk management. Although it is not required by state statute, I think it could be beneficial. Although the County Clerk and I do meet and discuss county business on a regular basis we need to involve the Chairman.

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

**LOGAN COUNTY, OKLAHOMA
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The GAO Standard – Section 1 – Fundamental Concepts of Internal Controls – OV1.01 states in part:

Definition of Internal Controls

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

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.

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

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

Finding 2018-007 - Lack of Internal Controls and Noncompliance Over the Inmate Trust Fund Checking Account and Sheriff Commissary Fund (Repeat Finding)

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

- One employee issued receipts, prepared and made deposits, and performed all daily activities.
- Inmate ledger balances were not reconciled to the bank statement.
- Deposits were not made on a daily basis.
- An annual commissary report was not filed with the Board of County Commissioners by January 15th of each year.
- There is no policy or procedure regarding unclaimed funds.

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

Effect of Condition: These conditions resulted in noncompliance with state statutes. Also, without proper accounting and safeguarding of the Inmate Trust Checking account, there is an increased risk of misappropriation of funds.

**LOGAN COUNTY, OKLAHOMA
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Recommendation: OSAI recommends the following:

- Key duties and responsibilities should be segregated among different individuals to reduce the risk of error or fraud. No one individual should have the ability to authorize transactions, have physical custody of assets, and record transactions.
- Inmate Trust Fund monies should be maintained in a manner that reflects each inmate's trust deposits, disbursements, and account balances. The inmates' trust fund balance should be reconciled to the total of inmate's balance.
- All collections should be deposited daily.
- The Sheriff should file an annual commissary report with the Board of County Commissioners by January 15th, of the fiscal year in accordance with state statute.
- Unclaimed inmate monies should follow unclaimed property procedures in accordance with state statute.

Management Response:

County Sheriff: Our current procedure is one person designated from administrative staff receives the monies and makes daily deposits. Another staff member is designated to reconcile the accounts on a monthly basis. We located the policy and procedures on the State Auditor's website relating to Sheriff's Commissary and are implementing its procedures. We also located the Commissary Financial Statement on the website and will be completing the form yearly as prescribed.

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 transaction, 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.

The GAO Standards – 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.

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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.

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

Internal Control System Monitoring

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

Title 19 O.S. § 180.43 D. states in part, “The sheriff shall file an annual report on any said commissary under his or her operation no later than January 15 of each year.”

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



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