



LOVE COUNTY

Financial Report with ACE Engagement

For the fiscal year ended June 30, 2023

Cindy Byrd, CPA
State Auditor & Inspector

**LOVE COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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OKLAHOMA
Office of the State Auditor & Inspector

Cindy Byrd, CPA | State Auditor & Inspector

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

February 7, 2025

TO THE CITIZENS OF
LOVE COUNTY, OKLAHOMA

Transmitted herewith is the audit of Love County, Oklahoma for the fiscal year ended June 30, 2023. 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.

This report is 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.

Sincerely,

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

**LOVE COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

Board of County Commissioners

District 1 – David Magee
District 2 – Linda Hyman
District 3 – John Stacy Rushing

County Assessor

Missy Tunnell

County Clerk

Shelly Russell

County Sheriff

Andy Cumberledge

County Treasurer

Karla Smith

Court Clerk

Wendy Holland

District Attorney

Craig Ladd

**LOVE COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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FINANCIAL SECTION



Independent Auditor's Report

TO THE OFFICERS OF
LOVE COUNTY, OKLAHOMA

Report on the Audit of the Financial Statement

Opinion

We have audited the total—all county funds on the accompanying regulatory basis Statement of Receipts, Disbursements, and Changes in Cash Balances of Love County, Oklahoma, as of and for the year ended June 30, 2023, and the related notes to the financial statement.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the regulatory basis total receipts, disbursements, and changes in cash balances for all county funds of Love County, as of and for the year ended June 30, 2023, in accordance with the financial reporting provisions of Title 19 O.S. § 171 of Oklahoma Statutes described in Note 1.

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 (U.S. GAAP) section of our report, the financial statement referred to above does not present fairly, in accordance with U.S. GAAP, the financial position of Love County as of June 30, 2023, or changes in financial position for the year then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (*Government Auditing Standards*), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of Love County, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our audit opinions.

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

As described in Note 1, the financial statement is prepared by Love County using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than U.S. GAAP to meet the requirements of the State of Oklahoma. The effects on the financial statement of the variances

between the regulatory basis of accounting described in Note 1 and U.S. GAAP, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management 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 prescribed or permitted by Oklahoma state law, 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.

In preparing the financial statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Love County's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statement.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- obtain an understanding of internal control relevant to the audit 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 Love County's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Love County's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the 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. Such 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. The 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 GAAS. 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 November 25, 2024, on our consideration of Love 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 Love County's internal control over financial reporting and compliance.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

November 25, 2024

REGULATORY BASIS FINANCIAL STATEMENT

LOVE COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Beginning Cash Balances July 1, 2022	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2023
County Funds:						
County General	\$ 472,233	\$ 2,718,906	\$ -	\$ -	\$ 2,122,544	\$ 1,068,595
County Highway Unrestricted	3,323,842	3,753,637	-	-	3,503,839	3,573,640
Health	428,224	361,905	-	-	307,573	482,556
Resale Property	537,617	159,049	-	-	115,701	580,965
Treasurer Mortgage Certification	20,277	1,775	-	-	-	22,052
County Clerk Lien Fee	44,048	7,073	-	-	17,664	33,457
Sheriff Commissary	162,431	119,780	-	-	173,106	109,105
Sheriff Service Fee	251,162	338,509	-	-	292,160	297,511
Sales Tax Revolving Fund	3,746,612	-	-	2,758,293	920,636	67,683
Sheriff Donation	400	-	-	400	-	-
Sheriff Drug Buy	1,798	1,994	-	-	-	3,792
Assessor Revolving Fee	17,919	2,142	-	-	1,674	18,387
County Clerk Records Management						-
and Preservation Fund	70,774	32,013	-	-	9,524	93,263
County Bridge and Road Improvement	1,253,007	491,637	-	2,500	476,412	1,265,732
Court Clerk Payroll	1,864	96,040	-	-	96,274	1,630
911 Phone Fees	34,605	135,310	-	-	139,105	30,810
Courthouse Improvement-ST	165,512	-	-	165,512	-	-
Courthouse Maintenance-ST	88,575	-	-	88,575	-	-
County Donations	1,136,045	269,732	400	-	368,898	1,037,279
Use Tax-ST	1,190,454	1,050,269	-	-	740,861	1,499,862
COVID Aid and Relief	202,140	75,000	-	-	83,421	193,719
Emergency Management Performance Grant	2,550	15,000	2,500	-	218	19,832
American Rescue Plan Act 2021	969,442	1,009,921	-	-	508,105	1,471,258
Extension-ST	-	101,124	537,504	-	28,432	610,196
Emergency Medical Service (EMS 522)-ST	-	245,577	-	-	5,863	239,714
General Gov't-ST	-	1,415,676	1,433,696	-	827,410	2,021,962
Hospital-ST	-	1,857,797	-	-	1,681,075	176,722
Sheriff-ST	-	101,124	13,418	-	80,264	34,278
Rural Fire-ST	-	203,040	402,232	-	177,971	427,301
Senior Citizens-ST	-	121,364	68,913	-	11,758	178,519
Jail Debt Payment-ST	-	912,645	501,600	-	694,960	719,285
County Clerk-ST	-	101,124	55,017	-	63,004	93,137
LATCF	-	50,000	-	-	-	50,000
Safe Room Grant	-	195,610	-	-	189,030	6,580
Opioid Abatement Settlement	-	21,304	-	-	-	21,304
Total - All County Funds	\$ 14,121,531	\$ 15,966,077	\$ 3,015,280	\$ 3,015,280	\$ 13,637,482	\$ 16,450,126

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

**LOVE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

1. Summary of Significant Accounting Policies

A. Reporting Entity

Love 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 service districts, school districts, and cities and towns. The cash receipts and disbursements attributable to those other entities do not appear in funds on the County's financial statement; those funds play no part in the County's operations. Any trust or agency funds maintained by the County are not included in this presentation.

B. Fund Accounting

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

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

County General – accounts for revenue derived mostly from ad valorem tax as directed by the Oklahoma Constitution and state statutes. Other revenue includes fees, in-lieu taxes, and other miscellaneous collections. Disbursements are for general operations of the County.

County Highway Unrestricted – accounts for revenue from motor fuel and motor vehicle taxes and is designated for those activities associated with building and maintaining county roads and bridges.

Health – accounts for ad valorem tax collections and fees for services collected, disbursements are for the operation of the County Health Department.

Resale Property – accounts for interest and penalties assessed on delinquent ad valorem tax payments as well as proceeds of selling real property in the County which has remained delinquent in ad valorem tax payments for three years. The fund is utilized by the County Treasurer for offsetting the costs associated with the collection of delinquent ad valorem taxes.

**LOVE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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

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

Sheriff Commissary – accounts for profits on commissary sales in the County jail. Disbursements are for jail operations as defined by state statute.

Sheriff Service Fee – accounts for the collection of fees and reimbursements for revenues such as process fees, courthouse security, contracts for housing and feeding prisoners, and disbursements as restricted by state statute.

Sales Tax Revolving Fund – accounts for tax assessed upon retail sales within the County as authorized by vote of the citizens of the County. Sales tax funds are restricted for the purpose described on the ballot approved by voters.

Sheriff Donation – accounts for donations made to the Love County Sheriff to be disbursed specifically for which the donation was made.

Sheriff Drug Buy – accounts for a program for investigating illegal drug activities. Revenue source consists of proceeds from the sale of property seized during such investigations as ordered by the district court. This fund and disbursements from it must be authorized by the District Attorney.

Assessor Revolving Fee – accounts for the collection of fees for copies as restricted by state statute.

County Clerk Records Management and Preservation Fund – accounts for special fees collected on all documents filed of record in the County Clerk's office. Expenditures are restricted to activities related to preservation of records in the County Clerk's office as restricted by state statute.

County Bridge and Road Improvement – accounts for state receipts and disbursements for the improvement of county bridges and roads.

Court Clerk Payroll – accounts for funds collected by the Court Clerk and disbursements for payroll of Court Fund employees.

911 Phone Fees – accounts for fees collected by phone service providers in accordance with state statute to support 911 emergency operations.

Courthouse Improvement-ST – accounts for tax assessed upon retail sales within the County as authorized by vote of the citizens of the County. Sales tax funds are restricted for the purpose described on the ballot approved by voters.

**LOVE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

Courthouse Maintenance-ST – accounts for tax assessed upon retail sales within the County as authorized by vote of the citizens of the County. Sales tax funds are restricted for the purpose described on the ballot approved by voters.

County Donations – accounts for donations to the County for specified projects as restricted by resolution approved by the Board of County Commissioners.

Use Tax-ST – accounts for the collection of use tax revenue and the disbursement of funds as restricted by the use tax resolution.

COVID Aid and Relief – accounts for federal grant monies received from the Coronavirus Relief Fund for the reimbursement of COVID related expenditures. Disbursements are for any lawful purpose of the County as directed by Board of County Commissioners' resolution.

Emergency Management Performance Grant – accounts for federal grant monies received from the United States Department of Homeland Security to be disbursed in accordance with the grant requirements.

American Rescue Plan Act 2021 – accounts for monies received from the United States Department of Treasury and disbursed for responding to the COVID-19 public health emergency and its negative economic impact, premium pay to eligible workers, the provision of government services to the extent of the reduction in revenue due to the COVID-19 public health emergency, and investments in water, sewer, and broadband infrastructure as restricted by federal requirements.

Extension-ST – accounts for tax assessed upon retail sales within the County as authorized by vote of the citizens of the County. Sales tax funds are restricted for the purpose described on the ballot approved by voters.

Emergency Medical Service (EMS 522)-ST – accounts for tax assessed upon retail sales within the County as authorized by vote of the citizens of the County. Sales tax funds are restricted for the purpose described on the ballot approved by voters.

General Gov't-ST – accounts for tax assessed upon retail sales within the County as authorized by vote of the citizens of the County. Sales tax funds are restricted for the purpose described on the ballot approved by voters.

Hospital-ST – accounts for tax assessed upon retail sales within the County as authorized by vote of the citizens of the County. Sales tax funds are restricted for the purpose described on the ballot approved by voters.

Sheriff-ST – accounts for tax assessed upon retail sales within the County as authorized by vote of the citizens of the County. Sales tax funds are restricted for the purpose described on the ballot approved by voters.

**LOVE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

Rural Fire-ST – accounts for tax assessed upon retail sales within the County as authorized by vote of the citizens of the County. Sales tax funds are restricted for the purpose described on the ballot approved by voters.

Senior Citizens-ST – accounts for tax assessed upon retail sales within the County as authorized by vote of the citizens of the County. Sales tax funds are restricted for the purpose described on the ballot approved by voters.

Jail Debt Payment-ST – accounts for tax assessed upon retail sales within the County as authorized by vote of the citizens of the County. Sales tax funds are restricted for the purpose described on the ballot approved by voters.

County Clerk-ST – accounts for tax assessed upon retail sales within the County as authorized by vote of the citizens of the County. Sales tax funds are restricted for the purpose described on the ballot approved by voters.

LATCF – accounts for federal funding made available through the American Rescue Plan Act of 2021 to be used in the same manner as other locally generated revenue.

Safe Room Grant – accounts for federal grant revenues to be disbursed as restricted by the grant agreement.

Opioid Abatement Settlement – accounts for court settlement from class-action lawsuits against opioid manufacturers and distributors. Proceeds to be used in accordance with the settlement agreement for opioid abatement.

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

**LOVE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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.

At June 30, 2023, the County's investments were under-collateralized in the amount of \$150,000.

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."

**LOVE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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; however, the County expects such amounts, if any, to be immaterial.

**LOVE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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 October 8, 2013 and Sales Tax of February 14, 2023

The voters of Love County approved a continuation of a one percent (1%) sales tax on October 8, 2013, for the duration of ten years, commencing January 1, 2014 and expiring December 31, 2023. On February 14, 2023, the voters of Love County approved a continuation of a one percent (1%) sales tax, for the duration of ten years, commencing January 1, 2024 and expiring December 31, 2033. This sales tax was established to provide revenue for the equipping, maintaining, and operating of the Love County Health Center. The Love County Health Center is a twenty-five bed, short-term, acute care, critical access hospital owned by Love County, Oklahoma, located in Marietta, Oklahoma. These funds are accounted for in the Hospital-ST Fund.

Sales Tax of November 10, 2015

The voters of Love County approved a one-half (1/2%) percent sales tax on November 10, 2015 for the design, construction, financing, furnishing and equipping, capital facilities and improvements, equipment, fixtures, site preparation, street improvements, and continuing maintenance and operation expenses for a new detention facility to be located in Love County, with one quarter (1/4) cent to terminate at fifteen years from the effective date of January 1, 2016 or at the date of retirement of all debt related thereto, whichever occurs earlier; one quarter (1/4) of the one half cent to remain for an unlimited term for operations and maintenance of the new detention facility and any other lawful purpose relating to the same; authorizing the irrevocable pledging of said sales tax for payment of debt service and costs of issuance, fixing and effective date; making provisions severable; and declaring an emergency be approved. These funds are accounted for in the Jail Debt Payment-ST Fund.

Sales Tax of July 11, 2017 and Sales Tax of January 10, 2023

The voters of Love County approved a continuation of a one percent (1%) sales tax on July 11, 2017, for the duration of five years, commencing April 1, 2018 and expiring March 31, 2023. On January 10, 2023, the voters of Love County approved a continuation of a one percent (1%) sales tax, for the duration of five years, commencing April 1, 2023 and expiring on March 31, 2028. This sales tax was established to provide revenue for the following: ten percent (10%) for county fire protection; five percent (5%) for ambulance service; five percent (5%) for county senior citizens centers; five percent (5%) for County OSU Extension Office; five percent (5%) for the County Clerk; five percent (5%) for the County Sheriff; five percent (5%) for the County Assessor; five percent (5%) for the County Treasurer; five percent (5%) for the County Court Clerk; and fifty percent (50%) for maintenance and operation of county-owned property and operating expenses. These funds are accounted for in the Rural Fire-ST fund, Emergency Medical Service (EMS 522)-

**LOVE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

ST fund, Senior Citizens-ST fund, Extension-ST fund, County Clerk-ST fund, Sheriff-ST fund, and the General Gov't-ST fund.

E. Interfund Transfers

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

- \$2,758,293 was transferred from Sales Tax Revolving Fund to the following for the purpose of establishing separate sales tax funds:
 - \$537,504 to Extension-ST,
 - \$1,179,609 to General Gov't-ST,
 - \$13,418 to Sheriff-ST,
 - \$402,232 to Rural Fire-ST,
 - \$68,913 to Senior Citizens-ST,
 - \$501,600 to Jail Debt Payments-ST, and
 - \$55,017 to County Clerk-ST.
- \$165,512 was transferred from Courthouse Improvement-ST to General Gov't-ST for purpose of closing the funds.
- \$88,575 was transferred from Courthouse Maintenance-ST to General Gov't-ST for purpose of closing the funds.
- \$400 was transferred from the Sheriff Donation fund to the County Donations fund for purpose of closing the fund.
- \$2,500 was transferred from County Bridge and Road Improvement to Emergency Management Performance Grant to correct a prior year apportionment error.

F. Special Items

The State of Oklahoma initially filed two counts of Embezzlement by the County Treasurer on September 4, 2020. On October 20, 2020, the State of Oklahoma dismissed the Indictments and requested that the Oklahoma State Bureau of Investigation further investigate any and all allegations of embezzlement by the Treasurer. The State Auditor and Inspector's Office has been requested to conduct a special investigative audit to be performed on the County Treasurer's Office. This audit and any findings will be issued in a separate report and are not expected to have a material effect on the basic financial statement as of and for the year ending June 30, 2023. The BOCC accepted the resignation of the County Treasurer under investigation on September 8, 2020, and they appointed a new County Treasurer on the same date. On August 23, 2024, the Multi-County Grand Jury issued seven indictments for embezzlement of \$21,499 by the former Love County Treasurer.

SUPPLEMENTARY INFORMATION

LOVE COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—
BUDGETARY BASIS—GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	General Fund		
	Budget	Actual	Variance
District Attorney - State	\$ 17,000	\$ 14,517	\$ 2,483
County Sheriff	520,832	474,605	46,227
County Treasurer	136,604	133,078	3,526
County Commissioners	199,815	149,672	50,143
O.S.U. Extension	100	-	100
County Clerk	217,952	211,620	6,332
County Court Clerk	96,836	94,648	2,188
County Assessor	96,836	88,932	7,904
Visual Inspection	177,075	162,688	14,387
Juvenile Shelter/Bureau	15,000	6,613	8,387
General Government	39,861	38,513	1,348
Excise Board	16,000	5,045	10,955
Election Board	89,074	84,615	4,459
Emergency Management	24,016	24,016	-
Building Maintenance	15,527	-	15,527
County Jail	495,933	394,382	101,551
E-911	364,846	262,007	102,839
County Audit Budget	26,945	-	26,945
Free Fair	500	444	56
Free Fair Improvement	9,750	9,731	19
Fire Departments	7,500	4,495	3,005
Provision for Interest on Warrants	3,000	-	3,000
Total Expenditures, Budgetary Basis	<u>\$ 2,571,002</u>	<u>\$ 2,159,621</u>	<u>\$ 411,381</u>

LOVE COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—
BUDGETARY BASIS—HEALTH FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Health Fund		
	Budget	Actual	Variance
Health and Welfare	\$ 656,075	\$ 280,879	\$ 375,196
Total Expenditures, Budgetary Basis	\$ 656,075	\$ 280,879	\$ 375,196

**LOVE COUNTY, OKLAHOMA
NOTE TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

1. Budgetary Schedules

The Comparative Schedules of Expenditures—Budget and Actual—Budgetary Basis for the General Fund and the Health Fund presents 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 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
LOVE COUNTY, OKLAHOMA

We have audited, in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the total—all county funds of the accompanying Statement of Receipts, Disbursements, and Changes in Cash Balances of Love County, Oklahoma, as of and for the year ended June 30, 2023, and the related notes to the financial statement, which collectively comprise Love County's financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated November 25, 2024.

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 (U.S. GAAP). 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 as of and for the year ended June 30, 2023, on the basis of accounting prescribed by Oklahoma state law, described in Note 1.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered Love County's internal control over financial reporting (internal control) as a basis for designing 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 Love County's internal control. Accordingly, we do not express an opinion on the effectiveness of Love 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: 2023-003.

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 deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies: 2023-012, 2023-015, and 2023-016.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Love 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 financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2023-003.

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

Love County's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Love County's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. Love County's response was not subjected to the other auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

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 results 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.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

November 25, 2024



Report on Compliance for the U.S. Department of Treasury Coronavirus State and Local Fiscal Recovery Funds Program (CSLFRF) Requirements for an Alternative CSLFRF Compliance Examination Engagement

Independent Accountant's Report

TO THE OFFICERS OF
LOVE COUNTY, OKLAHOMA

We have examined Love County's compliance with the compliance requirements "activities allowed or unallowed" and "allowable cost/cost principles" (the specified requirements) as described in Part IV "Requirements for an Alternative Compliance Examination Engagement for Recipients That Would Otherwise be Required to Undergo a Single Audit or Program-Specific Audit as a Result of Receiving Coronavirus State and Local Fiscal Recovery Funds" of the CSLFRF section of the 2023 OMB *Compliance Supplement* (referred to herein as "Requirements for an Alternative CSLFRF Compliance Examination Engagement") during the year ended June 30, 2023. The County is responsible for compliance with the specified requirements. Our responsibility is to express an opinion on Love County's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the AICPA; the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and in the "Requirements for an Alternative CSLFRF Compliance Examination Engagement." Those standards and requirements require that we plan and perform the examination to obtain reasonable assurance about whether Love County complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether Love County complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

Our examination does not provide a legal determination on Love County's compliance with specified requirements.

In our opinion, Love County complied, in all material respects, with the specified requirements referenced above during the year ended June 30, 2023.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses in internal control; fraud, and noncompliance with provisions of laws, regulations, contracts or grant agreements that have a material

effect on Love County's compliance with the specified requirements and any other instances that warrant the attention of those charged with governance. We are also required to obtain and report the views of responsible officials concerning the findings, conclusions, and recommendations, as well as any planned corrective actions. We performed our examination to express an opinion on Love County's compliance with the specified requirements and not for the purpose of expressing an opinion on the internal control over the specified requirements or on compliance and other matters; accordingly, we express no such opinions. The results of our tests disclosed no matters that are required to be reported under *Government Auditing Standards*.

Intended Purpose

The purpose of this examination report is solely to express an opinion on whether Love County complied, in all material respects with the specified requirements referenced above during the year ended June 30, 2023. Accordingly, this report is not suitable for any other purpose.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

November 25, 2024

**LOVE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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 2023-003 – Lack of Internal Controls and Noncompliance Over the Disbursement Process (Repeat Finding – 2022-003)

Condition: In a test of sixty-two (62) disbursements reflected three (3) disbursements totaling \$196,554, that were not properly encumbered in accordance with state statutes.

Cause of Condition: Policies and procedures have not been designed and implemented to strengthen internal controls and ensure compliance with state statutes.

Effect of Condition: This condition resulted in noncompliance with state statute which could result in unrecorded transactions, misstated financial reports, undetected errors, and misappropriation of funds.

Recommendation: The Oklahoma State Auditor & Inspector's Office (OSAI) recommends the County implement a system of internal controls over the disbursement process. Such controls should include ensuring that funds are encumbered prior to the receipt of goods and/or services, implementing a review process with adequate documentation to support the review, and implementing procedures to ensure authorized personnel requisition, receive, and approve cash disbursements in accordance with 19 O.S. § 1505.

Management Response:

Chairman of the Board of County Commissioners: The Board of County Commissioners will express to fellow county officials the importance of county funds being encumbered prior the receipt of goods and/or services and comply with state statute.

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.

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

Objectives of an Entity – Compliance Objectives

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

**LOVE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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

Finding 2023-012 – Lack of Internal Controls Over the Reconciliation Process between the County Clerk and the County Treasurer

Condition: Based upon inquiry and observation of records, audit evidence does not exist to support monthly reconciliations between the appropriation ledger of the County Clerk and the general ledger of the County Treasurer.

Further, in the test of the monthly reconciliation for June 30, 2023, nineteen (19) funds did not reconcile between the appropriation ledger of the County Clerk to the general ledger of the County Treasurer for an unreconciled balance of \$387,064.

Cause of Condition: Policies and procedures have not been designed to ensure funds are reconciled between the County Clerk and County Treasurer.

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

Recommendation: OSAI recommends the County Clerk and County Treasurer design internal controls to ensure all funds are reconciled, variances investigated, and errors corrected.

Management Response:

County Clerk: We will work to ensure all accounts are reconciled monthly between the County Treasurer and County Clerk. We will evaluate the variances and take corrective action.

County Treasurer: We will work to ensure all accounts are reconciled monthly between the County Treasurer and County Clerk. We will evaluate the variances and take corrective action.

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

Further, OV2.24 requires management to design an internal control system to provide reasonable assurance regarding prevention or prompt detection and correction of unauthorized acquisition, use, or disposition of an entity's assets.

**LOVE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

Finding 2023-015 – Lack of Internal Controls and Noncompliance Over Sales Tax Apportionments and Appropriations

Condition: Upon inquiry and observation of records, the following was reflected:

- Sales tax collections were not properly apportioned for March 2023, which impacted the April 2023 appropriations of March collections. The General Gov't-ST fund was apportioned an extra \$98,599 that should have been apportioned to the Jail Debt Payments-ST fund for which none was apportioned and not in accordance with the voter approved sales tax ballot.
- The general ledger of the County Treasurer on June 30, 2023, and at the time of the audit performed on March 8, 2024, reflects an unknown remaining balance of \$67,683 in the Sales Tax Revolving Fund that no longer exists on the appropriation ledger of the County Clerk.

Cause of Condition: Policies and procedures have not been designed and implemented to accurately apportion and appropriate sales tax collections in compliance with state statutes.

Effect of Condition: This condition resulted in noncompliance with state statutes.

Recommendation: OSAI recommends management be aware of these conditions and accurately apportion and appropriate sales tax collections in accordance with 68 O.S. § 1370E. Further, it is recommended that the unknown remaining balance in the Sales Tax Revolving Fund, resulting from possible errors made in prior fiscal years, be apportioned and appropriated in accordance with the sales tax ballot and the fund closed in accordance with the state-wide adopted chart of accounts.

Management Response:

County Treasurer and County Clerk: We made the correction on the error of sales tax collections during fiscal year 2024. We will calculate the remaining balance of the Sales Tax Revolving Fund and by approved Resolution of the BOCC transfer the funds on the general ledger and appropriate said funds in the appropriation ledger of the County Clerk to dissolve the Sales Tax Revolving Fund on the general ledger of the County Treasurer before June 30, 2024.

Criteria: The GAO Standards – Section 2 – Objectives of an Entity - OV2.23 states in part:

Compliance Objectives

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

Further, GAO Standards – Principle 6 – Define Objectives and Risk Tolerances - 6.05 states:

Definitions of Objectives

Management considers external requirements and internal expectations when defining objectives to enable the design of internal control. Legislators, regulators, and standard-setting bodies set external requirements by establishing the laws, regulations, and standards

**LOVE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

with which the entity is required to comply. Management identifies, understands, and incorporates these requirements into the entity's objectives. Management sets internal expectations and requirements through the established standards of conduct, oversight structure, organizational structure, and expectations of competence as part of the control environment.

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

Further, AG opinion 2005 OK AG 3 dated 7/13/2005 states:

3. Proceeds of a county sales tax voted for a specific purpose but placed in the county's general fund must be accounted for as a discrete fund, and any surplus not needed for the stated purpose during one fiscal year must be transferred to the county budget for the next fiscal year, for the same specified purpose."

Additionally, AG opinion 2014 OK AG 15 dated 10/31/2014 states:

4. C. As the fiscal agent responsible for superintending the funds of Canadian County, the board of county commissioners is responsible to ensure that the sales tax proceeds are not intermingled and are used exclusively for the purpose expressed in the ballot measure and resolution. The board can direct that the funds be deposited in a dedicated revolving fund and not intermingled with other revenues, Oka. Const. art. X, § 19: 68 O.S. 2011, § 1370; 19 O.S. Supp. 2013, § 339; 19 O.S. 2011, § 345; Cavin v. Bd. Of Cunty Comm'rs, 1934 OK 245, 11, 33 P. 2d 477, 479.

Finding 2023-016 – Lack of Internal Controls Over the Reconciliation Process for General and Official Depository Accounts

Condition: Upon inquiry, observation of records, and reconciliation of the General and Official bank accounts the following was noted:

General Bank Account:

- The General bank account could not be reconciled to the general ledger. There was an unidentified reconciling item of \$1,699 that was deducted from the bank statement balance and reported as "Unidentified" on the monthly report for the General bank reconciliation on June 30, 2023. The "Unidentified" amount began posting to the monthly report for the General bank reconciliation in April 2022.
- Supporting documentation was not maintained for \$248 of the total \$900 reconciling item labeled "Credit Cards In Transit."

Official Bank Account:

- The Official bank account could not be reconciled to the general ledger. The Treasurer does not register all official depository vouchers prior to the vouchers clearing the bank. A total of \$68,784 official depository vouchers from various departments were issued but not registered prior to the

**LOVE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

vouchers clearing the bank. Of the \$68,784, \$19,145 could be identified to the departments that issued the vouchers; however, \$49,639 could not be identified to the department(s) from which the official depository vouchers were issued.

- Further, it was noted two reconciling items labeled “Vouchers PD in 1NB in May but not in TM until June” was documented on the monthly report on June 30, 2023, referring to the vouchers that cleared the bank but not registered with the Treasurer.

Cause of Condition: Policies and procedures have not been designed and implemented by the County Treasurer to identify all reconciling items in the reconciliation of bank statements to the general ledger.

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

Recommendation: OSAI recommends management be aware of these conditions and realize that duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective procedures lie in management's oversight of the office operations and a review of said operations while maintaining supporting documentation of designed and implemented internal controls.

Management Response:

County Treasurer: We will determine the best corrective action to take in identifying all reconciling items on the General bank reconciliation and the Official Depository bank reconciliation to the general ledger.

Criteria: 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.

The GAO Standards – Principle 16 – Perform Monitoring Activities – 16.05 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.

Further, accountability and stewardship are overall goals of management in the accounting of funds. An important aspect of internal controls is the safeguarding of assets. Internal controls over safeguarding of assets constitute a process, affected by an entity’s governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from misappropriation.

**LOVE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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 2023-006-Lack of Internal Controls and Noncompliance Over Fixed Assets (Repeat Finding 2022-006)

Condition: Upon inquiry and observation of fixed asset inventory, it was noted a current fixed asset listing was not on file with the County Clerk in accordance with 19 O.S. § 178.1 for the following departments:

- County Treasurer
- County Sheriff
- District 1
- Sheriff-ST
- EMS 522-ST
- General Government-ST
- Fire Departments-ST
 - Eastman VFD
 - Eastside VFD
 - Enville VFD
 - Falconhead VFD
 - Greenville VFD
 - Jimtown VFD
 - Leon VFD
 - Orr VFD
 - Shady Dale VFD
 - Thackerville VFD
 - Loves Valley VFD

Cause of Condition: Policies and procedures have not been designed and implemented by county offices/departments to ensure the accurate reporting of fixed assets.

Effect of Condition: These conditions result in noncompliance with state statute. Opportunities for loss and misappropriation of county assets may be more likely to occur when the County does not have procedures in place to account for fixed assets.

Recommendation: OSAI recommends the County adopt policies and procedures to implement a system of internal controls over the fixed assets to ensure compliance with 19 O.S. § 178.1.

**LOVE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

Management Response:

Board of County Commissioners: We will work to ensure all departments, including those funded by tax monies, perform a fixed assets count within each fiscal year. We will perform a review of fixed assets on hand and ensure that each item is visually verified, the individual performing the visual verification and the individual maintaining the list are separate individuals and file that copy with the County Clerk.

County Treasurer: We will perform a review of fixed assets on hand and ensure that each item is visually verified, the individual performing the visual verification and the individual maintaining the list are separate individuals and file that copy with the County Clerk.

County Assessor: We will perform a review of fixed assets on hand and ensure that each item is visually verified, the individual performing the visual verification and the individual maintaining the list are separate individuals and file that copy with the County Clerk.

County Sheriff: We will perform a review of fixed assets on hand and ensure that each item is visually verified, the individual performing the visual verification and the individual maintaining the list are separate individuals and file that copy with the County Clerk.

District 1 County Commissioner: We will perform a review of fixed assets on hand and ensure that each item is visually verified the individual performing the visual verification and the individual maintaining the list are separate individuals and file that copy with the County Clerk.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. An important aspect of internal controls is the safeguarding of assets. Internal controls over safeguarding of assets constitutes a process, affected by an entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from misappropriation.

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

Physical control over vulnerable assets

Management establishes physical control to secure and safeguard vulnerable assets.

Examples include security for and limited access to assets such as cash, securities, inventories, and equipment that might be vulnerable to risk of loss or unauthorized use.

Management periodically counts and compares such assets to control records.

Title 19 O.S. § 178.1, which requires the board of county commissioners in each county of this state to take or cause to be taken, an inventory of all working tools, apparatus, machinery, and equipment.

**LOVE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

Finding 2023-010 - Lack of Internal Controls Over the Inmate Trust Fund Checking Account and Noncompliance Over Reporting Requirements of the County Sheriff Commissary and Board of Prisoners (Repeat Finding - 2022-010)

Condition: Upon inquiry and observation of records, the following was noted:

- Although the Inmate Trust Fund Checking Account is reconciled monthly, audit evidence does not exist to show that the collection and reconciliation processes are performed and reviewed by separate individuals.
- The County Sheriff did not prepare an annual Sheriff Commissary report to file with the Board of County Commissioners by January 15th of each year.
- The County Sheriff did not prepare an annual Sheriff Board of Prisoners report to file with the Board of County Commissioners by January 15th of each year.
- Inmate Trust Fund balances are not reconciled to the Inmate Trust Fund Checking Account.
- Governmental expenditures were made from the Inmate Trust Fund Checking Account.

Cause of Condition: Policies and procedures have not been designed and implemented to strengthen internal controls and ensure compliance with state statutes.

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

Recommendation: OSAI recommends management be aware of these conditions and implement procedures to ensure compliance with state statutes.

- Collections and monthly reconciliations should be prepared and reviewed by separate individuals and evidence with initials and dates should exist to show the design and implementation of internal controls.
- An annual Sheriff Commissary report should be filed with the BOCC by January 15 of each year and balance to the general ledger of the County Treasurer.
- An annual Sheriff Board of Prisoners report should be filed with the BOCC by January 15 of each year documenting incarceration recovery costs and disbursements.
- Inmate Trust Fund balances should be reconciled monthly to the Inmate Trust Fund Checking Account. Reconciliations should be prepared and reviewed by separate individuals and evidence with initials and dates should exist to show the design and implementation of internal controls.
- Governmental expenditures should not be made from the Inmate Trust Fund Checking Account.

Management Response:

County Sheriff: A review process on collections and reconciliations processes will be implemented. Checks issued from the checking account will comply with state statutes. An annual Sheriff Commissary Report and an annual Sheriff Board of Prisoners Report will be filed with the Board of County Commissioners for review and approval by January 15 of each year.

**LOVE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

Criteria: The GAO Standards – Principal 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.

The GAO Standards – Section 2 – Objectives of an Entity - OV2.23 states in part:

Compliance Objectives

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

The GAO Standards – Principle 16 – Perform Monitoring Activities – 16.05 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.

Title 19 O.S. § 180.43A states in part, “Each county sheriff may contract with any public or private entity engaged in the business of transportation of prisoners, the Department of Justice of the United States of America, the Department of Corrections, or any municipality of this state for the feeding, care, housing, and upkeep of federal, state, or municipal prisoners, or alien detainees incarcerated in the county jail..... The sheriff shall file an annual report with the board of county commissioners no later than January 15 of each year. The State Auditor and Inspector shall conduct an audit of the report as on other public records of the county.

Title 19 O.S. § 180.43D states in part, “Each county sheriff may operate...a commissary for the benefit of persons lawfully confined in the county jail under the custody of the county sheriff. Any funds received pursuant to said operations shall be the funds of the county where the persons are incarcerated and shall be deposited in the Sheriff's Commissary Account. The sheriff shall be permitted to expend the funds to improve or provide jail services. The sheriff shall be permitted to expend any surplus in the Sheriff's Commissary Account for administering expenses for training equipment, travel or for capital expenditures. The claims for expenses shall be filed with and allowed by the board of county commissioners in the same manner as other claims. The sheriff shall receive no

**LOVE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

compensation for the operation of said commissary. The sheriff shall file an annual report on any said commissary under his or her operation no later than January 15 of each year...”

Title 19 O.S. § 531 states, “A. Notwithstanding any other provisions of law, the county sheriff may establish a checking account, to be designated the “Inmate Trust Fund Checking Account”, to be managed by the county sheriff and maintained separately from regular county funds. The checking account shall be subject to audit by the State Auditor and Inspector. The county sheriff shall deposit all monies collected from inmates incarcerated in the county jail into this checking account and may write checks to the Sheriff's Commissary Account for purchases made by the inmate during his or her incarceration and to the inmate from unencumbered balances due the inmate upon his or her discharge.

SECTION 3—Findings related to the Report on Compliance for the U.S. Department of Treasury Coronavirus State and Local Fiscal Recovery Funds Program (CSLFRF) Requirements for an Alternative CSLFRF Compliance Examination Engagement

No matters were reported.



Cindy Byrd, CPA | State Auditor & Inspector

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