



MAYES COUNTY

Financial Report

For the fiscal year ended June 30, 2019

Cindy Byrd, CPA
State Auditor & Inspector

**MAYES COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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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

May 16, 2022

TO THE CITIZENS OF
MAYES COUNTY, OKLAHOMA

Transmitted herewith is the audit of Mayes County, Oklahoma for the fiscal year ended June 30, 2019. 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

**MAYES COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Board of County Commissioners

District 1 – Matt Swift
District 2 – Meredith Frailey
District 3 – Ryan Ball

County Assessor

Lisa Melchior

County Clerk

Brittany True-Howard

County Sheriff

Mike Reed

County Treasurer

Bobbie Martin

Court Clerk

Laura Wade

District Attorney

Matt Ballard

**MAYES COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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FINANCIAL SECTION



Independent Auditor's Report

TO THE OFFICERS OF
MAYES COUNTY, OKLAHOMA

Report on the Financial Statement

We have audited the total—all county funds on the accompanying regulatory basis Statement of Receipts, Disbursements, and Changes in Cash Balances of Mayes County, Oklahoma, as of and for the year ended June 30, 2019, 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 Mayes 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 Mayes County as of June 30, 2019, 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 total receipts, disbursements, and changes in cash balances for all county funds of Mayes County, as of and for the year ended June 30, 2019, 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 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 May 09, 2022, on our consideration of Mayes 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 Mayes 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

May 9, 2022

REGULATORY BASIS FINANCIAL STATEMENT

MAYES COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Beginning Cash Balances July 1, 2018	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2019
County Funds:						
County General Fund	\$ 5,674,756	\$ 12,803,335	\$ -	\$ 149,370	\$ 9,580,764	\$ 8,747,957
County Highway Unrestricted	1,582,837	3,147,637	-	-	3,264,803	1,465,671
Sheriff Commissary	17,188	31,629	-	-	16,869	31,948
Health	1,274,397	1,073,425	-	-	722,419	1,625,403
Resale Property	804,738	301,274	14,721	-	333,379	787,354
Sheriff Service Fee	389,607	459,163	-	-	490,355	358,415
Sheriff Board of Prisoners	145,466	35,409	-	-	170,084	10,791
Treasurer Mortgage Certification Fee	19,202	8,600	-	-	7,206	20,596
Community Service Program	6,524	-	-	-	-	6,524
County Clerk Records Management	85,219	36,807	-	-	17,622	104,404
County Clerk Lien Fee	154,372	17,772	-	-	733	171,411
Assessor Revolving Fee	17,287	3,557	-	-	936	19,908
911 Phone Fees	199,779	409,520	65	-	338,569	270,795
Rural Fire Sales Tax	1,762,928	1,190,955	-	-	754,299	2,199,584
Jail Sales Tax	75,520	587,419	-	-	594,120	68,819
Sheriff Community Service Sentencing Program	2,551	2,510	-	-	34	5,027
Flood Plain	1,734	2,275	-	-	2,350	1,659
Wireless E-911	65	-	-	65	-	-
Courthouse Maintenance Sales Tax	440,163	296,556	-	-	701,674	35,045
County Bridge and Road Improvement (CBRI)	702,899	448,239	-	-	317,854	833,284
Sheriff Sales Tax	219,552	591,861	-	-	446,400	365,013
Court Fund Payroll	57,102	263,113	-	-	281,213	39,002
Mental Health Court Program	85,562	43,548	-	-	49,325	79,785
Drug Court	49,053	7,640	-	-	3,759	52,934
Sheriff Forfeiture	15,737	1,238	-	-	2,345	14,630
County Donations	8,206	13,550	-	-	-	21,756
Saferoom Rebate	-	5,961	-	-	5,961	-
Fair Improvement Sales Tax	426,585	882,625	-	-	1,231,723	77,487
Community Development Block Grant Rural Water District 5	-	137,688	149,370	-	137,688	149,370
Rental of County Property	-	9,381	-	-	-	9,381
Total - All County Funds	\$ 14,219,029	\$ 22,812,687	\$ 164,156	\$ 149,435	\$ 19,472,484	\$ 17,573,953

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

**MAYES COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

1. Summary of Significant Accounting Policies

A. Reporting Entity

Mayes 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.

During the fiscal year ended June 30, 2019, the County converted to a new chart of accounts; therefore, several fund names and descriptions change. However, these changes do not reflect a change in the sources and uses of revenues over the prior fiscal year.

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

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

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

Sheriff Commissary – accounts for revenues derived from the sale of commissary items to jail inmates. Disbursements are for the operations and improvements of jail facilities.

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

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

**MAYES COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

Sheriff Board of Prisoners – accounts for the monies received from federal, state, and local municipalities for the boarding and feeding of prisoners as restricted by state statute.

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

Community Service Program – accounts for the revenues from a defendant pay program for participant collections. Disbursements are for expenses to operate the community service program.

County Clerk Records Management – accounts for revenues from fees charged by the County Clerk for recording instruments. Disbursement of funds, as restricted by state statute, to be used for preservation of records.

County Clerk Lien Fee – accounts for revenues from fees charged by the County Clerk for filing liens and disbursement of funds as restricted by state statute.

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

911 Phone Fees – accounts for monies received from private telephone companies for the operations of the emergency 911 system.

Rural Fire Sales Tax – accounts for the collections of sales tax revenue and the disbursement of funds as restricted by the sales tax ballot.

Jail Sales Tax – accounts for the collections of sales tax revenue and the disbursement of funds as restricted by the sales tax ballot.

Sheriff Community Service Sentencing Program – accounts for funds received from the state to reimburse the County for the cost incurred to supervise individuals sentenced to community service.

Flood Plain – accounts for the receipt of fees from flood plain permits. Disbursements are for lawful expenses of the flood plain office.

Wireless E-911 – accounts for the collection of fees charged on cellular telephone bills for the County's wireless emergency 911 system. Disbursements are for expenditures related to providing these services.

**MAYES COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Courthouse Maintenance Sales Tax – accounts for the collections of sales tax revenue and the disbursement of funds as restricted by the sales tax ballot.

County Bridge and Road Improvement (CBRI) – accounts for the state money received for the construction and/or improvement of bridges within the County.

Sheriff Sales Tax – accounts for the collections of sales tax revenue and the disbursement of funds as restricted by the sales tax ballot.

Court Fund Payroll accounts for monies received from the Court Clerk and disbursed for payroll for the employees of the Court Clerk's office.

Mental Health Court Program – accounts for contractual revenues received from the state. Disbursements are for the expenses related to the operation of the program.

Drug Court – accounts for revenues received from program participant fees. Disbursements are for the expenses related to the operation of the program.

Sheriff Forfeiture – accounts for funds received from forfeitures and disbursed for Drug Task Force training, equipment, and criminal intervention.

County Donations – accounts for donations received through the Board of County Commissioners and disbursed for the purpose designated at the time of the donation.

Saferoom Rebate – accounts for funds received from the FEMA Hazard Mitigation Grant Program and disbursed to homeowners who had applied for and been approved to receive a rebate as a partial reimbursement for the installation of a residential safe room.

Fair Improvement Sales Tax – accounts for the collections of sales tax revenue and the disbursement of funds as restricted by the sales tax ballot.

Community Development Block Grant Rural Water District 5 - accounts for federal grant monies used for the installation of a new water line for Rural Water District 5.

Rental of County Property - accounts for revenues from rentals of County facilities. Disbursements are for expenses related to the Free Fair.

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

**MAYES COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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 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, 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.

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.

**MAYES COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

2. Ad Valorem Tax

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

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

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

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

**MAYES COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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.

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 December 3, 1985

On December 3, 1985, voters of Mayes County approved a permanent one-quarter of one percent (1/4%) sales tax. The revenue from the sales tax is designated in trust for the establishment and operation of an ambulance service for the people of Mayes County. These funds are accounted for within the County General Fund.

In addition, on December 3, 1985, voters of Mayes County approved a permanent three-eighths of one percent (3/8%) sales tax specifically for the construction, operation, and maintenance of the County Road System of Mayes County. These funds are accounted for within the County General Fund.

Sales Tax of October 14, 1997

On October 14, 1997, voters of Mayes County approved a permanent one-eighth of one percent (1/8%) sales tax to be used for the maintenance and operation expenses of the jail facility. These funds are accounted for within the Jail Sales Tax fund.

Sales Tax of November 5, 2002

On November 5, 2002, voters of Mayes County approved a permanent one-quarter of one percent (1/4%) sales tax for the purpose of construction or improving fire stations, purchase of equipment, training, education, general maintenance and operations and for paying existing debt. This sales tax is to be divided equally between the following fourteen fire departments in Mayes County, Oklahoma:

1. Adair
2. Cabin Creek

**MAYES COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

3. Chimney Rock
4. Chouteau
5. Diamond-Head Lone Chapel
6. Disney
7. Langley
8. Locust Grove
9. Osage-Pleasant View
10. Pryor
11. Salina
12. Spavinaw
13. Sportsman Acres
14. Strang

These funds are accounted for within the Rural Fire Sales Tax fund.

Sales Tax of August 26, 2014

On August 26, 2014, voters of Mayes County approved a one-eighths of one percent (1/8%) sales tax to be designated solely for the maintenance, operation, equipment, furnishing, and improvement or construction of facilities of the Mayes County Jail. Also, to the extent available, revenues generated by said sales tax may be used for the operation and maintenance for other county facilities. These funds are accounted for within the Sheriff Sales Tax fund.

Sales Tax of January 12, 2016

On January 12, 2016, voters of Mayes County approved a three-sixteenths of one percent (3/16%) sales tax to pay debt service on bonds or notes issued by the Mayes County Public Facilities Authority, the proceeds of which are to be used to acquire, construct, equip and remodel the county fairgrounds facilities. The sales tax terminates at the earliest possible date that revenues are sufficient to retire said bonds or notes. These funds are accounted for within the Fair Improvement Sales Tax fund.

In addition, on January 12, 2016, voters of Mayes County approved a permanent one-sixteenth of one percent (1/16%) sales tax to be used to pay operation and maintenance on all county buildings. These funds are accounted for within the Courthouse Maintenance Sales Tax fund.

E. Tax Abatements

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

Under this program, a five-year ad valorem tax exemption exempts all real and personal property that is necessary for the manufacturing of a product and facilities engaged in research and

**MAYES COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

The County had \$4,813,298 of ad valorem taxes abated under this program for the fiscal year ended June 30, 2019.

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

F. Interfund Transfers

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

- \$149,370 was transferred from the County General Fund to the Community Development Block Grant Rural Water District 5 fund to meet the requirements of appropriation in accordance with 68 O.S. § 3021.
- \$14,721 was transferred from the Excess Resale fund, a trust and agency fund, to the Resale Property fund in accordance with 68 O.S. § 3131C.
- \$65 was transferred from the Wireless E-911 fund to the 911 Phone Fees fund by Board of County Commissioners (BOCC) approved resolution in order to establish a uniform system of bookkeeping in accordance with 74 O.S. § 214.

SUPPLEMENTARY INFORMATION

MAYES COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—
BUDGETARY BASIS—GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	General Fund		
	Budget	Actual	Variance
County Sheriff	1,437,332	1,431,533	\$ 5,799
County Treasurer	158,764	147,757	11,007
County Commissioners	553,581	535,750	17,831
County Commissioners O.S.U. Extension	144,288	142,799	1,489
County Clerk	310,454	284,483	25,971
Court Clerk	405,552	387,834	17,718
County Assessor	252,406	240,761	11,645
Revaluation of Real Property	271,321	243,851	27,470
General Government	5,854,728	1,153,951	4,700,777
Excise - Equalization Board	3,500	2,100	1,400
County Election Board	106,579	99,682	6,897
Insurance - Benefits	1,976,758	1,799,858	176,900
County Purchasing Agent	38,972	38,728	244
Emergency Management	148,121	124,525	23,596
Charity	835	435	400
Economic Development	8,000	8,000	-
Courthouse Security	98,250	98,250	-
E911	115,584	115,117	467
County Audit Budget Account	75,771	75,771	-
Free Fair Budget Account	81,299	81,299	-
Highway Budget Account	2,184,396	1,554,850	629,546
MESTA - Sales Tax	1,016,803	1,016,803	-
Total Expenditures, Budgetary Basis	<u>\$ 15,243,294</u>	<u>\$ 9,584,137</u>	<u>\$ 5,659,157</u>

MAYES COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—
BUDGETARY BASIS—HEALTH FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Health Fund		
	Budget	Actual	Variance
Health and Welfare	\$ 2,124,878	\$ 797,717	\$ 1,327,161
Total Expenditures, Budgetary Basis	\$ 2,124,878	\$ 797,717	\$ 1,327,161

**MAYES COUNTY, OKLAHOMA
NOTE TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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 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
MAYES COUNTY, OKLAHOMA

We have audited, 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, the total—all county funds of the accompanying Statement of Receipts, Disbursements, and Changes in Cash Balances of Mayes County, Oklahoma, as of and for the year ended June 30, 2019 and the related notes to the financial statement, which collectively comprise Mayes County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated May 09, 2022.

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 as of and for the year ended June 30, 2019, 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 Mayes 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 Mayes County's internal control. Accordingly, we do not express an opinion on the effectiveness of Mayes 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: 2019-001 and 2019-009.

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: 2019-002.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mayes 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 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 Mayes County, which are included in Section 2 of the schedule of findings and responses contained in this report.

Mayes County's Response to Findings

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



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

May 9, 2022

**MAYES COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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 2019-001 - Lack of County-Wide Internal Controls and Disaster Recovery Plan (Repeat Finding – 2008-001, 2008-015, 2009-001, 2009-014, 2010-001, 2011-012, 2012-012, 2013-012, 2018-001)

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

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

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

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

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

OSAI further recommends all officials have a formal Disaster Recovery Plan for their office in order to maintain operations in the event of a disaster.

Management Response:

Chairman of the BOCC/District 2 County Commissioner: I did not take office until 2021, I was not in office in 2018 or 2019.

District 1 County Commissioner: I will work with other elected county officials to implement monthly or quarterly meetings of us all for the purpose of designing and implementing a system of county-wide procedures to identify and address risks, ensure information is communicated effectively, and monitoring procedures are implemented to assess the quality of performance. I will use the OSAI County-Wide Internal Controls checklist to facilitate in this process. I will work with our assistant district attorney on forming a county employee handbook committee to help in drafting an up-to-date employee handbook. I will ask all

**MAYES COUNTY, OKLAHOMA
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elected county officials for a copy of their up-to-date formal Disaster Recovery Plan, and if they do not have one, I will do what I can to help facilitate getting those plans completed.

District 3 County Commissioner: Scheduling quarterly meetings to address the risks of the County has been discussed this with our Assistant District Attorney and we plan to have these meetings set before the end of the second quarter of fiscal year 2022. Additionally, I will work with the other elected officials to implement a better a system of county-wide policies and procedures to ensure risk assessment and monitoring are addressed and to ensure all offices have up to date disaster recovery plans in place.

County Sheriff: As of June 2020, we have a Disaster Recovery Plan in place and distributed to pertinent individuals.

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.

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

Definition of Internal Control

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

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

Components, Principles, and Attributes

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

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

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

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

Further, an important aspect of internal controls is the safeguarding of assets which includes adequate Disaster Recovery Plans. Internal controls over safeguarding of assets constitute a process, affected by an

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entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention in a county being unable to function in the event of a disaster.

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

Finding 2019-002 - Lack of Internal Controls Over Information System Security – County Clerk (Repeat Finding - 2018-002)

Condition: Upon review of the computer systems within the County Clerk's office, it was noted that there do not appear to be adequate controls in place to safeguard data from unauthorized modification, loss or disclosure. The specifics of the condition have been sanitized to protect the County pursuant to the provision of 51 O.S. § 24A.28.

Cause of Condition: Policies and procedures have not been designed and implemented to prevent unauthorized access to data.

Effect of Condition: These conditions could result in compromised security for the computers, computer programs, and data.

Recommendation: OSAI recommends the County comply with best practices presented in the criteria. The specifics of the recommendation have been sanitized to protect the County pursuant to the provision of 51 O.S. § 24A.28.

Management Response:

County Clerk: We will be remodeling the office in the next year and will ask to do a change order to add security features room that houses our servers. Currently, this room is always monitored by employees of the County Clerk's office and me. I will also contact our information systems vendor and establish office policies regarding the deficiencies noted.

Criteria: According to the standards of the Information Systems Audit and Control Association (CobiT, Deliver and Support DS5), the need to maintain the integrity of information and protect IT assets requires a security management process. This process includes establishing and maintaining IT security roles and responsibilities, policies, standards, and procedures. Security management also includes performing security monitoring and periodic testing and implementing corrective actions for identified security weaknesses or incidents. Effective security management protects all IT assets to minimize the business impact of security vulnerabilities and incidents.

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Finding 2019-009 - Lack of Internal Controls and Noncompliance Over Payroll Process (Repeat Finding 2008-009, 2009-009, 2010-007, 2011-002, 2012-002, 2013-002, 2018-009)

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

- The County does not have an adequate segregation of duties to ensure that duties assigned to individuals are done so in a manner that would not allow one individual to control both the recording function and the procedures relative to the processing of a transaction.
- The BOCC is signing the payroll affidavits, thereby approving payroll; however, this approval is not done in an open meeting and is not recorded in the minutes of the BOCC.

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

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

Recommendation: OSAI recommends the County design and implement a system of internal controls over the payroll process. Such controls should include ensuring payroll is approved by the BOCC in an open meeting as required by 19 O.S. § 3, 62 O.S. § 304.1, and 62 O.S. § 471. Additionally, OSAI recommend management determine if duties can be properly segregated. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risks involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office and having management review and approval of accounting functions.

Management Response:

County Commissioner District 1: For year 2018, I was not District 1 County Commissioner, but in the future, I will have an agenda line item for payroll claims added to the weekly agenda of the Board of County Commissioners.

County Commissioner District 2: I did not take office until 2021, I was not in office in 2018 or 2019.

County Commissioner District 3: Immediately following the presentation of this finding, an agenda line item for the approval of payroll claims was added to the weekly agenda of the Board of County Commissioners.

County Clerk: We try to segregate duties as much as possible with the limited number of employees we have and will continue to try and segregate more in the future. I do have one person who signs new hires up then my payroll clerk enters those employees. From now on I will be the one who terminates them in the system. Currently, my payroll clerk is not the direct contact for the bank regarding direct deposit issues; only myself and the Treasurer are.

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Criteria: 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.

Principle 10 – Design Control Activities – 10.03 states in part:

Segregation of Duties

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

Additionally, Principle 10 - Segregation of Duties states:

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

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

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

Title 19 O.S. § 3 specifies that no one commissioner may enter into a contract or agreement or transact any business of county. Any contact or business transaction “done or attempted to be done, by an individual commissioner or commissioners, when not acting as a board shall ever be subject to ratification by the board of county commissioners, but shall be illegal, unlawful and wholly void.”

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Title 62 O.S. § 304.1 and 62 O.S. § 471, which provide guidance for the disbursement of public funds and the payment of personnel, require the board of county commissioners to approve the expenditure of all public funds.

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 2019-011 - Lack of Internal Controls Over Court Clerk Collection and Expenditure Processes (Repeat Finding 2018-012)

Condition: Upon inquiry of the Court Clerk employees, and observation and test of records, we noted the County does not have an adequate segregation of duties to ensure that duties assigned to individuals are done so in a manner that would not allow one individual to control both the recording function and the procedures relative to the processing of a transaction.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure adequate internal controls over daily collections and over the Court Fund and Court Clerk Revolving Fund expenditure processes.

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

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

Management Response:

Court Clerk: I was not in office at that time; however, upon review of the findings, I will work to design and implement policies and procedures to ensure adequate segregation of duties over the receiving and disbursements of funds in my office.

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

Segregation of Duties

Management divides or segregates key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. This includes separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions,

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and handling any related assets so that no one individual controls all key aspects of a transaction or event.

Additionally, Principle 10 - Segregation of Duties states:

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

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

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

Finding 2019-012 – Lack of Internal Controls Over the Inmate Trust Fund Checking Account

Condition: Upon inquiry observation and testing of the Inmate Trust Fund Checking Account processes, we noted:

- The County does not have an adequate segregation of duties to ensure that duties assigned to individuals are done so in a manner that would not allow one individual to control both the recording function and the procedures relative to the processing of a transaction.
- There is no indication that bank reconciliations are being reviewed and approved by someone other than the preparer.
- The Inmate Trust Ledger balances were not used in the bank reconciliation and did not reconcile back to the bank balances.

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

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

Recommendation: OSAI recommends management be aware of these conditions and determine if duties can be properly segregated. In the event that segregation of duties is not possible due to limited personnel, OSAI also recommends implementing compensating controls to mitigate the risks involved with a

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concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office and having management review and approval of accounting functions.

OSAI further recommends the County Sheriff implement procedures to ensure:

- Bank reconciliations:
 - are performed on a monthly basis,
 - indicate proof of review and approval by someone other than the preparer, and
 - include a reconciliation of the inmate's ledger balances to the bank balance.

Management Response:

County Sheriff: During Fiscal Year 2019, we did have a segregation of duties associated with the Inmate Trust Fund Checking Account. There were 3 office positions that shared the duties as noted below, we just did not have documentation to indicate adequate segregation of duties and reviews were in place.

- The Assistant Clerk collected the money from the kiosk and cash drawer at the jail, reconciled the collections with the printed reports and took deposit to the bank.
- Either the Records Clerk or Administrative Clerk would review the bank deposit ticket and the collection reports to verify that both amounts matched. The paperwork was not signed or dated to show a review had been made.
- The Records Clerk reconciled the bank statements monthly and the Assistant Clerk would review to verify that the account was balanced. Again, the paperwork was not signed or dated.

All deposits, reports and bank statements are now being signed and dated when reviewed and the Inmate Trust Ledger balances are now being used in the bank reconciliation.

Additionally, the lobby kiosk is no longer being utilized so collections only come from cash machine in the jail booking area.

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

Segregation of Duties

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

Accurate and timely recording of transactions

Transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from its initiation and authorization through its final classification in summary records. In addition, management designs control activities so that all transactions are completely and accurately recorded.”



Cindy Byrd, CPA | State Auditor & Inspector

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