



# NOBLE COUNTY

## Financial Report

For the fiscal year ended June 30, 2019

**Cindy Byrd, CPA**  
State Auditor & Inspector

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

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Cindy Byrd, CPA | State Auditor & Inspector

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February 4, 2021

TO THE CITIZENS OF  
NOBLE COUNTY, OKLAHOMA

Transmitted herewith is the audit of Noble 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.

Sincerely,

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

CINDY BYRD, CPA  
OKLAHOMA STATE AUDITOR & INSPECTOR



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

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**Board of County Commissioners**

District 1 – Jason Kienholz  
District 2 – Gary May  
District 3 – Lance West

**County Assessor**

Mandy Snyder

**County Clerk**

Sandra Richardson

**County Sheriff**

Charlie Hanger

**County Treasurer**

Rena Clark-Wheatley

**Court Clerk**

Hillary Vorndran

**District Attorney**

Brian Hermanson

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

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**TABLE OF CONTENTS**

**FINANCIAL SECTION**

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

**SUPPLEMENTARY INFORMATION**

|   |    |
|---|----|
| Comparative Schedule of Receipts, Expenditures, and Changes in<br>Cash Balances—Budget and Actual—Budgetary Basis—General Fund.....                   | 12 |
| Comparative Schedule of Receipts, Expenditures, and Changes in<br>Cash Balances—Budget and Actual—Budgetary Basis—County Health Department Fund ..... | 13 |
| Note to Supplementary Information .....   | 14 |
| Schedule of Expenditures of Federal Awards .....  | 15 |
| Notes to the Schedule of Expenditures of Federal Awards .....   | 16 |

**INTERNAL CONTROL AND COMPLIANCE SECTION**

|   |    |
|---|----|
| Report on Internal Control Over Financial Reporting and on Compliance and Other Matters<br>Based on an Audit of Financial Statements Performed in Accordance With<br><i>Government Auditing Standards</i> ..... | 17 |
| Independent Auditor's Report on Compliance for Each Major Federal Program<br>and on Internal Control Over Compliance Required by the Uniform Guidance .....   | 19 |

**INTERNAL CONTROL AND COMPLIANCE SECTION - CONTINUED**

|  |    |
|--|----|
| Schedule of Findings and Questioned Costs..... | 22 |
|--|----|

## **FINANCIAL SECTION**

## Independent Auditor's Report

TO THE OFFICERS OF  
NOBLE COUNTY, OKLAHOMA

### *Report on the Financial Statement*

We have audited the combined total—all county funds on the accompanying regulatory basis Statement of Receipts, Disbursements, and Changes in Cash Balances of Noble 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 Noble 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 Noble 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 combined total of receipts, disbursements, and changes in cash balances for all county funds of Noble County, 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 combined total of all county funds on the financial statement. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the remaining supplementary information, as listed in the table of contents, are presented for purposes of additional analysis and is not a required part of the financial statement.

The schedule of expenditures of federal awards and the remaining supplementary information is the responsibility of management and was derived from and 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 schedule of expenditures of federal awards and the remaining supplementary information is fairly stated, in all material respects, in relation to the financial statement.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 2021, on our consideration of Noble 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 Noble County's internal control over financial reporting and compliance.

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

CINDY BYRD, CPA  
OKLAHOMA STATE AUDITOR & INSPECTOR

February 1, 2021

## **REGULATORY BASIS FINANCIAL STATEMENT**

**NOBLE COUNTY, OKLAHOMA**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND**  
**CHANGES IN CASH BALANCES—REGULATORY BASIS**  
**(WITH COMBINING INFORMATION)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

|   | Beginning<br>Cash Balances<br>July 1, 2018 | Receipts<br>Apportioned | Transfers<br>In  | Transfers<br>Out  | Disbursements       | Ending<br>Cash Balances<br>June 30, 2019 |
|---|--|-------------------------|------------------|-------------------|---------------------|--|
| Combining Information:                      |  |                         |                  |                   |                     |  |
| County General Fund                         | \$ 3,223,649                               | \$ 3,121,213            | \$ 73            | \$ -              | \$ 2,778,927.00     | \$ 3,566,008                             |
| County Highway Cash                         | 1,380,168                                  | 2,677,399               | -                | -                 | 3,114,548           | 943,019                                  |
| Jail Sales Tax                              | 1,152,406                                  | 723,896                 | -                | -                 | 944,654             | 931,648                                  |
| Ambulance District Sales Tax                | 127,209                                    | 230,942                 | -                | -                 | 275,338             | 82,813                                   |
| Rural Fire Sales Tax                        | 1,120,940                                  | 247,740                 | -                | -                 | 363,464             | 1,005,216                                |
| Free Fair Sales Tax                         | 337,243                                    | 162,209                 | -                | -                 | 315,962             | 183,490                                  |
| OSU Extension Sales Tax                     | 315,399                                    | 69,857                  | -                | -                 | 76,192              | 309,064                                  |
| County Health                               | 362,699                                    | 258,396                 | -                | -                 | 182,964             | 438,131                                  |
| County Bridge and Road Improvement Fund 105 | 832,338                                    | 575,861                 | 17,857           | 179,163           | 639,037             | 607,856                                  |
| Sheriff Service Cash Fund                   | 443,739                                    | 98,311                  | 4,832            | -                 | 8,937               | 537,945                                  |
| BIA-STP Fund                                | 17,630                                     | -                       | -                | 17,630            | -                   | -  |
| Resale Property                             | 145,900                                    | 44,893                  | -                | -                 | 24,150              | 166,643                                  |
| County Clerk Records Preservation           | 74,492                                     | 15,241                  | -                | -                 | 11,342              | 78,391                                   |
| Free Fair Cash                              | 34,896                                     | 6,425                   | -                | -                 | -                   | 41,321                                   |
| County Clerk M&M Lien Cash Fund             | 145,077                                    | 8,596                   | -                | -                 | 15,173              | 138,500                                  |
| Wellness Program                            | 18,591                                     | -                       | -                | -                 | 272                 | 18,319                                   |
| Assessor Fee Revolving Fund                 | 13,501                                     | 2,261                   | -                | -                 | 3,006               | 12,756                                   |
| Sheriff Prisoner Care                       | 81,126                                     | 2,754                   | -                | -                 | 36,639              | 47,241                                   |
| Treasurer Mortgage Certification Fee        | 6,478                                      | 1,840                   | -                | -                 | 1,151               | 7,167                                    |
| Flood Plain                                 | 1,800                                      | -                       | -                | -                 | 189                 | 1,611                                    |
| Illegal Dump Reward Fund                    | 4,749                                      | -                       | -                | 4,749             | -                   | -  |
| Sheriff Training Fund                       | 83   | -                       | -                | 83                | -                   | -  |
| Oklahoma Bar Foundation Donation            | 865  | -                       | -                | -                 | -                   | 865                                      |
| County Donations                            | 25,290                                     | -                       | -                | -                 | 17,413              | 7,877                                    |
| BIA Marland                                 | -  | 1,118,038               | -                | -                 | 1,118,038           | -  |
| Combined Total - All County Funds           | <u>\$ 9,866,268</u>                        | <u>\$ 9,365,872</u>     | <u>\$ 22,762</u> | <u>\$ 201,625</u> | <u>\$ 9,927,396</u> | <u>\$ 9,125,881</u>                      |

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

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

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**1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

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

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

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

**B. Fund Accounting**

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

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

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

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

Jail Sales Tax – accounts for sales tax collections received from the Oklahoma Tax Commission and disbursements are made in accordance with the sales tax ballot for operations of the County jail and Sheriff's office.

Ambulance District Sales Tax – accounts for sales tax collections received from Oklahoma Tax Commission and disbursements are made according to sales tax ballot requirements to fund the maintenance and operations of the emergency medical service districts within the County.

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

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Rural Fire Sales Tax – accounts for sales tax collections received from Oklahoma Tax Commission and disbursements are made according to sales tax ballot requirements to fund the maintenance and operations of the rural fire departments within the County.

Free Fair Sales Tax – accounts for sales tax collections received from Oklahoma Tax Commission and disbursements are made according to sales tax ballot requirements to fund the free fair maintenance and operations.

OSU Extension Sales Tax – accounts for sales tax collections received from Oklahoma Tax Commission and disbursements are made according to sales tax ballot requirements to fund the maintenance and operations of the OSU extension office.

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

County Bridge and Road Improvement Fund 105 – accounts for state receipts and disbursements are for the purpose of improving county roads and bridges.

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

BIA-STP Fund – accounts for revenues from the Bureau of Indian Affairs and disbursements are for road improvements.

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

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

Free Fair Cash – accounts for the receipt of fair building rentals and the disbursement of funds is for the maintenance and operations of the fair grounds and buildings.

County Clerk M&M Lien Cash Fund – accounts for lien collections and disbursements as restricted by state statute.

Wellness Program – accounts for funds deposited by the Board of County Commissioners and disbursements are to be used to fund the wellness program for the employees of the County.

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

Sheriff Prisoner Care – accounts for the collection of monies from the Oklahoma Department of Corrections and disbursements are used for the operations of the Sheriff's office.

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

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

Flood Plain – accounts for the collection of permit fees assessed by the Flood Plain committee and disbursements are used for updating software and computers in relation to flood plain mapping and training.

Illegal Dump Reward Fund – accounts for a percentage of fines imposed for littering and disbursements are used to pay rewards for the arrest and conviction or for evidence leading to the arrest and conviction of any person who violates the provisions of Title 21 O.S. §§ 1753.3 and 1761.1.

Sheriff Training Fund – accounts for the Sheriff's share of the proceeds of property forfeitures and disbursements for the training of Sheriff Deputies.

Oklahoma Bar Foundation Donation – accounts for a grant for courthouse improvements including courtroom technology and the disbursement of funds for a sound system for the court areas.

County Donations – accounts for donations to the County for specific projects.

BIA Marland – accounts for revenues from the Bureau of Indian Affairs Federal grant and disbursements are for road improvements.

**C. Basis of Accounting**

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

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

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

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**D. Budget**

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

**E. Cash and Investments**

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

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

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

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

**2. Ad Valorem Tax**

The County's property tax is levied each October 1 on the assessed value listed as of January 1 of the same year for all real and personal property located in the County, except certain exempt property. Assessed values are established by the County Assessor within the prescribed guidelines established by the Oklahoma Tax Commission and the State Equalization Board. Title 68 O.S. § 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."

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

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

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

**3. Other Information**

**A. Pension Plan**

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

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

**B. Other Post Employment Benefits (OPEB)**

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

**C. Contingent Liabilities**

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



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

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The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in management's opinion, the resolution of these matters will not have a material adverse effect on the financial condition of the County.

**D. Sales Tax**

**Sales Tax of March 1, 2002**

The voters of Noble County approved a permanent one-quarter percent (1/4%) sales tax effective March 1, 2002. This sales tax was established to provide revenue for the Noble County Free Fair Board (70%) and the OSU Extension Office (30%). These funds are accounted for in the Free Fair Sales Tax fund and OSU Extension Sales Tax fund.

**Sales Tax of January 1, 2016**

The voters of Noble County approved a continuation of a one-quarter percent (1/4%) sales tax effective January 1, 2016 and continues for a period of ten year and shall terminate on December 31, 2025. The original sales tax went into effect January 1, 2003. This sales tax was established to provide equal apportionment of revenue among all fire departments belonging to Noble County Public Safety Association in Noble County, Oklahoma. These funds are accounted for in the Rural Fire Department Sales Tax fund.

**Sales Tax of January 1, 2016**

The voters of Noble County approved a three-quarter percent (3/4%) sales tax effective January 1, 2016 and continues for a period of ten years and shall terminate on December 31, 2025. This sales tax was established to provide revenue for the lawful operations of the County Jail and Sheriff's Office. These funds are accounted for in the Jail Sales Tax fund.

**Sales Tax of July 1, 2017**

The voters of Noble County approved a continuation of a one-quarter percent (1/4%) sales tax effective July 1, 2017 and continues for a period of ten years and terminates on June 30, 2027. The original sales tax went into effect July 1, 2012. The sales tax was established to provide revenue for the support, organization, operation, maintenance, and all lawful purposes of providing of an Emergency Medical Service District and its purpose of providing ambulance services and Emergency Medical First Responder service to all county residents. These funds are accounted for in the Ambulance District 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.

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

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

The County had \$16,443 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:

- \$73 was transferred from the Estray Animals fund (a trust and agency fund) to the County General Fund in accordance with Title 4 O.S. § 85.6.
- \$4,749 was transferred from the Illegal Dump Reward Fund to the Sheriff Service Cash Fund to close the Illegal Dump Reward Fund by Board of County Commissioners' resolution.
- \$83 was transferred from the Sheriff Training Fund to the Sheriff Service Cash Fund to close the Sheriff Training Fund by Board of County Commissioners' resolution.
- \$227 was transferred from the Emergency Transportation Revolving Fund (a trust and agency fund) to the County Bridge and Road Improvement Fund 105 for a loan for the payment of a road and bridge project.
- \$17,630 was transferred from the BIA-STP Fund to the County Bridge and Road Improvement Fund 105 to close the BIA-STP Fund by Board of County Commissioners' resolution.
- \$179,163 was transferred from the County Bridge and Road Improvement Fund 105 to Emergency Transportation Revolving Fund (a trust and agency fund) for loan repayment for the road projects of the County.

## **SUPPLEMENTARY INFORMATION**

**NOBLE COUNTY, OKLAHOMA**  
**COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND**  
**CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—**  
**GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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|   | General Fund     |                     |                     |
|---|------------------|---------------------|---------------------|
|   | Budget           | Actual              | Variance            |
| Beginning Cash Balances   | \$ 3,223,649     | \$ 3,223,649        | \$ -                |
| Less: Prior Year Outstanding Warrants   | (104,939)        | (104,939)           | -                   |
| Less: Prior Year Encumbrances   | (35,791)         | (35,096)            | 695                 |
| Beginning Cash Balances, Budgetary Basis  | <u>3,082,919</u> | <u>3,083,614</u>    | <u>695</u>          |
| Residual Transfer   |                  | 73                  |                     |
| Total Receipts, Budgetary Basis   | <u>2,412,120</u> | <u>3,121,213</u>    | <u>709,093</u>      |
| Total Expenditures, Budgetary Basis   | <u>5,495,039</u> | <u>2,783,013</u>    | <u>2,712,026</u>    |
| Excess of Receipts and Beginning Cash   |                  |                     |                     |
| Balances Over Expenditures, Budgetary Basis   | <u>\$ -</u>      | 3,421,814           | <u>\$ 3,421,814</u> |
| Reconciliation to Statement of Receipts,<br>Disbursements, and Changes in Cash Balances |                  |                     |                     |
| Add: Cancelled Warrants   |                  | 24                  |                     |
| Add: Current Year Outstanding Warrants  |                  | 123,551             |                     |
| Add: Current Year Encumbrances  |                  | <u>20,546</u>       |                     |
| Ending Cash Balance   |                  | <u>\$ 3,566,008</u> |                     |

**NOBLE COUNTY, OKLAHOMA**  
**COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND**  
**CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—**  
**COUNTY HEALTH DEPARTMENT FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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|   | County Health Department Fund |                    |                       |
|---|-------------------------------|--------------------|-----------------------|
|   | Budget                        | Actual             | Variance              |
| Beginning Cash Balances   | \$ 362,699                    | \$ 362,699         | \$ -                  |
| Less: Prior Year Outstanding Warrants   | (6,297)                       | (6,297)            | -                     |
| Less: Prior Year Encumbrances   | (15,337)                      | (5,649)            | 9,688                 |
| Beginning Cash Balances, Budgetary Basis  | <u>341,065</u>                | <u>350,753</u>     | <u>9,688</u>          |
| <br>Total Receipts, Budgetary Basis   | <br><u>239,337</u>            | <br><u>258,396</u> | <br><u>19,059</u>     |
| <br>Total Expenditures, Budgetary Basis   | <br><u>580,402</u>            | <br><u>208,469</u> | <br><u>371,933</u>    |
| <br>Excess of Receipts and Beginning Cash<br>Balances Over Expenditures,<br>Budgetary Basis | <br><u>\$ -</u>               | <br>400,680        | <br><u>\$ 400,680</u> |
| <br>Reconciliation to Statement of Receipts,<br>Disbursements, and Changes in Cash Balances |                               |                    |                       |
| Add: Current Year Encumbrances  |                               | 21,975             |                       |
| Add: Current Year Outstanding Warrants  |                               | <u>15,476</u>      |                       |
| Ending Cash Balance   |                               | <u>\$ 438,131</u>  |                       |

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

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**1. Budgetary Schedules**

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

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**NOBLE COUNTY, OKLAHOMA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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| Federal Grantor/Pass-Through<br>Grantor/Program Title | Federal<br>CFDA<br>Number | Pass-Through<br>Grantor's<br>Number | Federal<br>Expenditures |
|---|---------------------------|-------------------------------------|-------------------------|
| <b>U.S. DEPARTMENT OF JUSTICE</b>                     |                           |                                     |                         |
| Passed Through the Office of Juvenile Affairs:        |                           |                                     |                         |
| National Criminal History Improvement Program         | 16.554                    |                                     | 19,295                  |
| Bulletproof Vest Partnership Program                  | 16.607                    |                                     | 5,849                   |
| Total U.S. Department of Justice                      |                           |                                     | <u>25,144</u>           |
| <b>U.S. DEPARTMENT OF TRANSPORTATION</b>              |                           |                                     |                         |
| Passed Through the Bureau of Indian Affairs           |                           |                                     |                         |
| Highway Planning and Construction                     | 20.205                    |                                     | 1,358,067               |
| Total U.S. Department of Transportation               |                           |                                     | <u>1,358,067</u>        |
| <b>Total Expenditures of Federal Awards</b>           |                           |                                     | <u>\$ 1,383,211</u>     |



**NOBLE COUNTY, OKLAHOMA**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of Noble County and is presented on the *cash basis of accounting*. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance.

Indirect Cost Rate

Noble County has elected to not use the 10 percent de minimis cost rate allowed for by 2 CFR§ 200.414(f).

## **INTERNAL CONTROL AND COMPLIANCE SECTION**

**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements Performed in Accordance With  
*Government Auditing Standards***

TO THE OFFICERS OF  
NOBLE COUNTY, OKLAHOMA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined total—all funds of the accompanying Statement of Receipts, Disbursements, and Changes in Cash Balances (with Combining Information) of Noble County, Oklahoma, as of and for the year ended June 30, 2019, and the related notes to the financial statement, which collectively comprises Noble County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated February 1, 2021.

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

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

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



deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses: 2019-001 and 2019-005.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Noble County's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2019-005.

### **Noble County's Response to Findings**

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

### **Purpose of this Report**

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

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



CINDY BYRD, CPA  
OKLAHOMA STATE AUDITOR & INSPECTOR

February 1, 2021

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

TO THE OFFICERS OF  
 NOBLE COUNTY, OKLAHOMA

**Report on Compliance for Each Major Federal Program**

We have audited the compliance of Noble County, Oklahoma, with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Noble County's major federal program for the year ended June 30, 2019. Noble County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Noble County's compliance.

**Basis for Qualified Opinion on CFDA 20.205 - Highway Planning and Construction**

As described in Finding 2019-004 in the accompanying schedule of findings and questioned costs, Noble County did not comply with requirements regarding the following:

| Finding # | CFDA # | Program (or Cluster) Name         | Compliance Requirement           |
|-----------|--------|-----------------------------------|----------------------------------|
| 2016-004  | 20.205 | Highway Planning and Construction | Activities Allowed and Unallowed |
| 2016-004  | 20.205 | Highway Planning and Construction | Allowable Costs/Cost Principles  |



| Finding # | CFDA # | Program (or Cluster) Name         | Compliance Requirement                 |
|-----------|--------|-----------------------------------|--|
| 2016-004  | 20.205 | Highway Planning and Construction | Cash Management                        |
| 2016-004  | 20.205 | Highway Planning and Construction | Matching                               |
| 2016-004  | 20.205 | Highway Planning and Construction | Period of Performance                  |
| 2016-004  | 20.205 | Highway Planning and Construction | Procurement and Suspension & Debarment |
| 2016-004  | 20.205 | Highway Planning and Construction | Special Tests and Provisions           |

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

### **Qualified Opinion on CFDA 20.205 - Highway Planning and Construction**

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Noble County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA 20.205 - Highway Planning and Construction for the year ended June 30, 2019.

### **Report on Internal Control Over Compliance**

Management of Noble County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Noble County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Noble County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2019-002, 2019-003, and 2019-004 to be material weaknesses.

*A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2019-006 to be a significant deficiency.

#### **Noble County's Response to Findings**

Noble County's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Noble County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. This report is also a public document pursuant to the Oklahoma Open Records Act (51 O.S., section 24A.1 et seq.), and shall be open to any person for inspection and copying.



CINDY BYRD, CPA  
OKLAHOMA STATE AUDITOR & INSPECTOR

February 1, 2021

**NOBLE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**SECTION 1—Summary of Auditor's Results**

Financial Statements

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

Internal control over financial reporting:

- Material weakness(es) identified?..... Yes
- Significant deficiency(ies) identified? ..... None reported

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

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?..... Yes
- Significant deficiency(ies) identified? ..... Yes

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

Any audit findings disclosed that are required to be reported  
in accordance with 2 CFR § 200.516(a) of the Uniform Guidance? ..... Yes

Identification of Major Programs

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|---|
| 20.205                | Highway Planning and Construction         |

Dollar threshold used to distinguish between  
Type A and Type B programs: ..... \$750,000

Auditee qualified as low-risk auditee?..... No



NOBLE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

**Finding 2019-001 – Lack of Internal Controls Over the County’s Financial Statement Presentation**

**Condition:** The County has not designed and implemented internal controls to ensure the accurate presentation of the County’s financial statement. During the review and reconciliation of the financial statement as initially prepared by the County, we determined that the apportionments were understated by \$871,187 and the disbursements were understated by \$829,595.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure that the County’s financial statement is accurately presented.

**Effect of Condition:** This condition resulted in the County’s financial statement being materially misstated.

**Recommendation:** The Oklahoma State Auditor and Inspector’s Office (OSAI) recommends the County design and implement policies and procedures to ensure the County’s financial statement is accurately presented.

**Management Response:**

**Chairman of the Board of County Commissioners:** The Board of County Commissioners reviews and approves the financial statement and will verify that all county funds are presented on the financial statement.

**County Treasurer:** I will verify that all county funds are listed on the County financial statement.

**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 County is required to present a financial statement for each fiscal year ended June 30.

Title 19 O.S. § 171 states, in part, “Unless the county elects to prepare its financial statement in accordance with Generally Accepted Accounting Principles as prescribed by the Governmental Accounting Standards Board, the county shall present their financial statements in a regulatory basis of accounting.”

The limitations of the auditor are described in the American Institute of Certified Public Accountants Clarified Statements on Auditing Standards AU-C § 210, which states, in part: “The concept of an independent audit requires that the auditor's role does not involve assuming management's responsibility

**NOBLE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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for the preparation and fair presentation of the financial statements or assuming responsibility for the entity's related internal control and that the auditor has a reasonable expectation of obtaining the information necessary for the audit insofar as management is able to provide or procure it. Accordingly, the premise is fundamental to the conduct of an independent audit.”

**Finding 2019-005 – Lack of Internal Controls and Noncompliance Over the Disbursement Process**

**Condition:** Upon inquiry, observation of the County’s disbursement process and a test of seventy-eight (78) purchase orders and payroll expenditures reflected the following weaknesses:

- Twelve (12) had inadequate supporting documentation attached to purchase orders.
- Seven (7) were not properly encumbered.

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

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

**Recommendation:** OSAI recommends the County implement policies and procedures to ensure compliance with state statutes that govern purchasing. All purchases should be properly encumbered with proper supporting documentation attached.

**Management Response:**

**Chairman of the Board of County Commissioners:** Purchasing laws are reviewed with employees of each of these offices. Offices will take all necessary steps to properly encumber all funds before purchases are made or services rendered and will ensure adequate documentation is attached to each purchase order submitted.

**County Commissioner District 3:** We will make sure that adequate supporting documentation is attached to purchase orders and will properly encumber purchase orders.

**County Clerk:** We will inform all offices of what is required for supporting documentation and how to properly encumber funds.

**County Sheriff:** These issues have been addressed and will be watched closer from this time forward in order to be compliant with state statutes.

**County Assessor:** We will either have them change the language on the contract and invoice in the future or we will make sure we encumber prior to those dates. My goal has always been to make sure the money was encumbered prior to being invoiced; sounds like in this particular case I need to make certain they are in by those dates.

**NOBLE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**Criteria:** The GAO Standards – Section 2 – Objective 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 – Defined 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 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 19 O.S. § 1505(C) and § 1505(E) requires county funds to be encumbered prior to the receipt of goods and/or services and disbursements of county funds should be supported with invoices and receiving reports.

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

**Finding 2019-002 – Lack of County-Wide Controls Over Major Federal Program - BIA**

**PASS-THROUGH GRANTOR:** Bureau of Indian Affairs

**FEDERAL AGENCY:** U.S. Department of Transportation

**CFDA NO:** 20.205

**FEDERAL PROGRAM NAME:** Highway Planning and Construction (Federal-Aid Highway Program)

**FEDERAL AWARD YEAR:** 2019

**CONTROL CATEGORY:** Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Matching, Level of Effort, Earmarking; Period of Performance of Federal Funds; Procurement and Suspension and Debarment; and Reporting.

**QUESTIONED COSTS:** \$-0-

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

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

**NOBLE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

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

**Management Response:**

**Chairman of the Board of County Commissioners:** We will discuss the federal grant monies in our County Officer meetings.

**County Commissioner District 2:** We will conduct our County Officer meetings and incorporate federal grants and the compliance supplement.

**County Clerk:** The County Officers will meet in a County Officer meeting to discuss federal grants that are awarded.

**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.

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.

**Finding 2019-003 – Lack of Internal Controls Over Major Federal Program – BIA**

**PASS-THROUGH GRANTOR:** Bureau of Indian Affairs

**FEDERAL AGENCY:** U.S. Department of Transportation

**NOBLE COUNTY, OKLAHOMA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**CFDA NO:** 20.205

**FEDERAL PROGRAM NAME:** Highway Planning and Construction (Federal-Aid Highway Program)

**FEDERAL AWARD NUMBER:**

**FEDERAL AWARD YEAR:** 2019

**CONTROL CATEGORY:** Activities Allowed and Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort, and Earmarking; Period of Performance; Procurement and Suspension & Debarment; and Special Tests and Provisions

**QUESTIONED COSTS:** \$-0-

**Condition:** During the process of documenting the County's internal controls regarding federal disbursements, we noted that Noble County has not established procedures to ensure compliance with the following requirements: Activities Allowed and Unallowed, Allowable Costs, Cash Management, Matching, Period of Performance, Procurement, Suspension & Debarment, and Special Tests and Provisions.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure compliance with Uniform Grant Guidance.

**Effect of Condition:** This condition resulted in noncompliance to grant requirements and could result in loss of federal funds.

**Recommendation:** OSAI recommends the County gain an understanding of requirements for this program and design and implement internal control procedures to ensure compliance with grant requirements.

**Management Response:**

**Chairman of the Board of County Commissioners:** The Elected Officials will discuss this in the County Officer meeting. We will discuss the compliance supplement and any contract or agreements that are federal monies.

**Criteria:** 2 CFR § 200.303(a) *Internal Controls* reads as follows:

The non-Federal entity must:

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

**NOBLE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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Further, 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.

**Finding 2019-004 – Noncompliance with Compliance Requirements Over Federal Grant**

**PASS-THROUGH GRANTOR:** Bureau of Indian Affairs

**FEDERAL AGENCY:** U.S. Department of Transportation

**CFDA NO:** 20.205

**FEDERAL PROGRAM NAME:** Highway Planning and Construction (Federal-Aid Highway Program)

**FEDERAL AWARD YEAR:** 2019

**CONTROL CATEGORY:** Activities Allowed and Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching; Period of Performance, Procurement and Suspension & Debarment; and Special Tests and Provisions

**QUESTIONED COSTS:** \$1,519,549

**Condition:** During inquiry, review, and testwork of seven (7) or 100% of major program expenditures, the following weaknesses were noted:

- Three (3) expenditures did not have prior authorization to proceed after review of the Plans, Specifications, and Estimate by the BIA.
- One (1) was not properly encumbered.
- One (1) advance payment was not disbursed timely.
- Two (2) advance payments were held in interest bearing accounts and the interest income was not tracked.
- The letter of completion for the grant agreement expenditures could not be located.
- Two (2) construction contracts did not have the required wage-rate provisions included.
- Two (2) contractors were not required to submit weekly payroll reports verifying they met federal wage-rate requirement.
- The County did not retain documentation to verify matching requirements in the amount of \$200,000.
- The County did not have procedures established to verify if contractors were suspended or debarred.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure federal expenditures are made in accordance with federal compliance requirements.

**Effect of Condition:** These conditions resulted in noncompliance to Federal Grant requirements.

NOBLE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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**Recommendation:** OSAI recommends the County gain an understanding of the compliance requirements for federal program and implement internal control procedures to ensure compliance with all requirements.

**Management Response:**

**Chairman of the Board of County Commissioners:** I will ensure expenditures are BIA approved. I will review and follow proper encumbrance procedures. District #1 employees will ensure payments are disbursed in a timely manner. County employees will be better able to track grant money with previously stated policy of ensuring grant - related items are clearly identified as such on said paperwork. District #1 employees will ensure all grant - related documents are not only marked as such but that all paperwork related to a grant is kept together. District #1 employees and I will be better prepared to ensure contracts meet the requirements by the changes implemented 2019-003. All such contracts will be reviewed by more than one District #1 employee to ensure such requirements are being met. District #1 employees will ensure status of a vendor's suspension, debarment or exclusion is properly reviewed and verified prior to any agreement with said vendor and will be verified by more than one District #1 employee.

**Criteria:** Accountability and stewardship should be overall goals in management's accounting of federal funds. Internal controls should be designed to monitor compliance with laws and regulations pertaining to grant contracts.

Title 2 *CFR § 200.303(a) Internal Controls* reads as follows:

The non-federal entity must:

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

Title 2 *CFR § 200.213 Suspension and debarment*, reads as follows:

Non-federal entities are subject to the non-procurement debarment and suspension regulations implementing Executive Orders 12549 and 12689, 2 CFR part 180. These regulations restrict awards, subawards, and contracts with certain parties that are debarred, suspended, or otherwise excluded from or ineligible for participation in Federal assistance programs or activities.

Title 2 *CFR § 200.318 (a), General procurement standards*, reads as follows:

(a) The Non-Federal entity must use its own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this part.

Title 2 *CFR § 200.84 Questioned Cost* reads as follows:

Questioned cost means a cost that is questioned by the auditor because of an audit finding:

(a) Which resulted from a violation or possible violation of a statute, regulation, or the terms and conditions of a Federal award, including for fund used to match Federal funds:

**NOBLE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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- (b) Where the cost, at the time of the audit, are not supported by adequate documentation:  
or
- (c) Where the costs incurred appear unreasonable and do not reflect the actions a prudent person would take in the circumstances.

**Finding 2019-006 – Lack of Internal Controls and Noncompliance to Uniform Administrative Requirements for Federal Awards**

**PASS-THROUGH GRANTOR:** Bureau of Indian Affairs

**FEDERAL AGENCY:** U.S. Department of Transportation

**CFDA NO:** 20.205

**FEDERAL PROGRAM NAME:** Highway Planning and Construction (Federal-Aid Highway Program)

**FEDERAL AWARD YEAR:** 2019

**CONTROL CATEGORY:** Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Matching, Level of Effort, Earmarking; Period of Performance of Federal Funds; Procurement and Suspension and Debarment; and Reporting

**QUESTIONED COSTS:** \$-0-

**Condition:** Noble County did not prepare the Corrective Action Plan and the Summary Schedule of Prior Audit Findings.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure compliance with Uniform Guidance requirements.

**Effect of Condition:** This condition resulted in noncompliance with Uniform Guidance requirements.

**Recommendation:** OSAI recommends that the County gain an understanding of requirements regarding Uniform Guidance. Internal control procedures should be designed and implemented to ensure compliance with Uniform Guidance.

**Management Response:**

**Chairman of the Board of County Commissioners:** BOCC members will review Uniform Guidance requirements with specific attention to audit follow-up.

**Criteria:** 2 CFR § 200.511(a) *Audit findings follow-up* reads as follows:

The auditee is responsible for follow-up and corrective action on all audit findings. As part of this responsibility, the auditee must prepare a summary schedule of prior audit findings. The auditee must also prepare a corrective action plan for the current audit findings.



**NOBLE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

No matters were noted.



Cindy Byrd, CPA | State Auditor & Inspector

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