



NOBLE COUNTY

Financial Report

For the fiscal year ended June 30, 2021

Cindy Byrd, CPA
State Auditor & Inspector

**NOBLE COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

This publication, issued by the Oklahoma State Auditor and Inspector's Office as authorized by 19 O.S. § 171, has not been printed, but is available on the agency's website (www.sai.ok.gov) and in the Oklahoma Department of Libraries Publications Clearinghouse Digital Prairie Collection (<http://digitalprairie.ok.gov/cdm/search/collection/audits/>) pursuant to 65 O.S. § 3-114.



May 16, 2022

TO THE CITIZENS OF
NOBLE COUNTY, OKLAHOMA

Transmitted herewith is the audit of Noble County, Oklahoma for the fiscal year ended June 30, 2021. 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,

A handwritten signature in blue ink that reads "Cindy Byrd". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

**NOBLE COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Board of County Commissioners

District 1 – Jason Kienholz
District 2 – Gary May
District 3 – Lance West (through June 28, 2021)

County Assessor

Mandy Snyder

County Clerk

Sandra Richardson

County Sheriff

Matt McGuire

County Treasurer

Rena Clark-Wheatley

Court Clerk

Hillary Vorndran

District Attorney

Brian Hermanson

**NOBLE COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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FINANCIAL SECTION



Independent Auditor's Report

TO THE OFFICERS OF
NOBLE 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 Noble County, Oklahoma, as of and for the year ended June 30, 2021, 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, 2021, 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 Noble County, as of and for the year ended June 30, 2021, 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 March 28, 2022, 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 written in a cursive, flowing style.

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

March 28, 2022

REGULATORY BASIS FINANCIAL STATEMENT

NOBLE COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Beginning Cash Balances July 1, 2020	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2021
County Funds:						
County General	\$ 3,864,211	\$ 3,301,406	\$ -	\$ -	\$ 3,192,513	\$ 3,973,104
County Highway Unrestricted	907,851	3,007,408	-	-	2,570,313	1,344,946
Jail - ST	832,795	796,129	-	-	788,815	840,109
Ambulance Service District - ST	79,985	208,540	-	-	185,791	102,734
Rural Fire - ST	1,155,476	219,540	-	-	154,729	1,220,287
Fair - ST	138,853	146,761	-	-	139,976	145,638
Extension - ST	326,123	66,111	-	-	78,724	313,510
Health	490,584	248,214	-	-	160,811	577,987
County Bridge and Road Improvement	478,816	331,224	480,000	-	500,094	789,946
Sheriff Service Fee	602,514	81,398	-	-	44,305	639,607
Resale Property	252,513	63,596	5,554	-	40,923	280,740
County Clerk Records Management and Preservation	87,792	28,364	-	-	14,370	101,786
Free Fair Board	48,481	5,895	-	-	-	54,376
County Clerk Lien Fee	134,045	5,391	-	-	7,957	131,479
Wellness	16,418	-	-	-	2,000	14,418
Assessor Revolving Fee	10,691	1,551	-	-	3,763	8,479
Sheriff Board of Prisoners	43,538	2,055	-	-	-	45,593
Treasurer Mortgage Certification	9,231	2,335	-	-	141	11,425
Flood Plain	1,864	25	-	-	50	1,839
Oklahoma Bar Foundation Grant	865	-	-	-	-	865
County Donations	7,877	6,062	-	-	143	13,796
Quail Road Project	4,452	1,440,000	-	-	4,452	1,440,000
American Rescue Plan	-	1,081,033	-	-	-	1,081,033
Total - All County Funds	\$ 9,494,975	\$ 11,043,038	\$ 485,554	\$ -	\$ 7,889,870	\$ 13,133,697

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, 2021**

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 within the financial statement:

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

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

Jail - ST – 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 Service District - ST – 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, 2021**

Rural Fire - ST – 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.

Fair - ST – 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.

Extension - ST – 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.

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 – accounts for state receipts and disbursements are for the purpose of improving county roads and bridges.

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

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

County Clerk Records Management and 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 Board – accounts for the receipt of fair building rentals and the disbursement of funds are for the maintenance and operations of the fair grounds and buildings.

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

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

Sheriff Board of Prisoners – accounts for the collection of monies from the Oklahoma Department of Corrections and disbursements are used for the operation of the jail and any surplus can be used for the Sheriff's department.

**NOBLE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Treasurer Mortgage Certification – 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.

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

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

Quail Road Project – accounts for revenues from the Bureau of Indian Affairs Federal Grant and disbursements are for road improvements.

American Rescue Plan – accounts for the collection from the United States Department of Treasury for the disbursement of funds to replace lost revenue, support immediate economic stabilization, and support urgent response efforts that were a result of the COVID-19 pandemic.

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 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.

**NOBLE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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."

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

**NOBLE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

1. The County Treasurer, according to the law, shall give notice of delinquent taxes and special assessments by publication once a week for two consecutive weeks at any time after April 1, but prior to the end of September following the year the taxes were first due and payable. Unpaid real property taxes become a lien upon said property after the treasurer has perfected the lien by public notice.

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

3. Other Information

A. Pension Plan

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

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

B. Other Post Employment Benefits (OPEB)

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

C. Contingent Liabilities

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

**NOBLE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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 Fair - ST fund and Extension - ST 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 - ST 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 - ST 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 Service District - ST fund.

**NOBLE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

E. Interfund Transfers

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

- \$480,000 was transferred from the Emergency Transportation Revolving fund, a trust and agency fund, to the County Bridge and Road Improvement fund as a project loan.
- \$5,554 was transferred from the Excess Resale fund, a trust and agency fund, to the Resale Property fund in accordance with 68 O.S. § 3131C.

SUPPLEMENTARY INFORMATION

NOBLE COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—
BUDGETARY BASIS—GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	General Fund		
	Budget	Actual	Variance
District Attorney - State	\$ 35,000	\$ 35,000	\$ -
District Attorney - County	27,692	26,500	1,192
County Sheriff	645,058	568,264	76,794
County Treasurer	129,702	127,748	1,954
District 1	64,098	64,098	-
District 2	68,098	66,096	2,002
District 3	64,098	55,698	8,400
County Clerk	222,200	216,790	5,410
Dept 1011	54,619	49,036	5,583
Dept 1012	34,205	33,600	605
Court Clerk	228,097	195,268	32,829
County Assessor	135,542	131,795	3,747
Visual Inspection	133,251	122,329	10,922
Juvenile Shelter Bureau	7,000	3,600	3,400
General Government	376,210	248,993	127,217
Excise Equalization Board	8,201	2,000	6,201
Election Board	83,224	74,673	8,551
Insurance Benefits	3,725,424	1,115,242	2,610,182
Emergency Management	65,246	29,832	35,414
Charity	2,000	-	2,000
Highway District 2	48,002	39,000	9,002
County Audit Budget	26,248	1,465	24,783
County Cemetery	1,001	-	1,001
Total Expenditures, Budgetary Basis	<u>\$ 6,184,216</u>	<u>\$ 3,207,027</u>	<u>\$ 2,977,189</u>

NOBLE COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—
BUDGETARY BASIS—HEALTH FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Health Fund		
	Budget	Actual	Variance
Health and Welfare	\$ 658,660	\$ 165,296	\$ 493,364
Total Expenditures, Budgetary Basis	\$ 658,660	\$ 165,296	\$ 493,364

**NOBLE COUNTY, OKLAHOMA
NOTE TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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
NOBLE 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 Noble County, Oklahoma, as of and for the year ended June 30, 2021, and the related notes to the financial statement, which collectively comprise Noble County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated March 28, 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, 2021, 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) 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 Noble County's internal control. Accordingly, we do not express an opinion on the effectiveness of Noble County's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be material weaknesses: 2021-001.

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 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 Noble County, which are included in Section 2 of the schedule of findings and responses contained in this report.

Noble County's Response to Findings

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

Purpose of this Report

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

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



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

March 28, 2022

NOBLE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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 2021-001 – Lack of County–Wide Internal Controls (Repeat Finding 2020-001)

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

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

Effect of Condition: Without an adequate system of county-wide controls, there is greater risk of a breakdown in control activities which could result in unrecorded transactions, undetected errors, or misappropriation of funds.

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

Management Response:

Chairman of the Board of County Commissioners: The Noble County Officers will conduct Officers’ Meetings on at least a quarterly basis, with the possibility of a meeting being held more frequently if any officer believes an issue needs to be discussed by the group as a whole. These meetings will have posted agendas and will have detailed recorded minutes. Further, these requirements will be reflected as a written policy in the County-Wide Control book upon passage of a Resolution by the Board of County Commissioners formally approving and recording such requirements.

County Clerk: Noble County does quarterly Officer meetings to communicate issues at work. The Board of County Commissioners need to design and establish policies and procedures for everyone to follow. If communication is a problem, then they need to determine how they wish everyone would respond to them, either by verbal, phone, e-mail, or letter. This needs to be in the County-Wide Control book. I will write more detailed minutes for the Officers’ meetings. The Treasurer and I have the financials for the county balanced every month, so the controls are in place between our offices.

County Treasurer: I realize it is important for Noble County to have procedures in place to strengthen information and communication. As Treasurer, I will be more proactive in this repeat finding in the future.

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

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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.

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 2021-002 – Lack of Internal Controls and Noncompliance Over the County Sheriff's Credit Card

Condition: Upon inquiry and review of six (6) purchase orders for the County Sheriff's statutorily allowed credit cards, the following weaknesses were noted:

- The credit cards have limits that exceeds the statutory amount allowed.
- Purchasing procedures with credit cards regarding lodging are not established in the County handbook.
- Three (3) purchase orders incurred expenses prior to encumbrance.
- Three (3) expenses on a credit card purchase order were not supported by adequate documentation.

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- Three (3) purchase orders incurred late fees and interest.
- Two (2) purchase orders incurred in-state sales tax.
- One (1) purchase order incurred a charge that was not toward travel.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure adequate internal controls over the credit card usage and compliance with state statutes.

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 policies and procedures be designed and implemented regarding allowable usage of Sheriff Credit Cards and required supporting documentation. Further recommendations include:

- Amount of charges allowed on the credit card account should comply with limits set by state statutes.
- Charges for lodging should comply with county policies.
- Amounts charged for meals and incidental expenses should be calculated for each period of travel to determine any taxable fringe benefit amounts due to exceeding the General Services Administration (GSA) rate limit.

Management Response:

Chairman of the Board of County Commissioners: The County is implementing written policy and procedures for overnight lodging. The County will approve a resolution setting that policy and the new policy will be added to both the County-Wide Control book and the Employee's Handbook.

County Sheriff: Prior to my taking office in 2020 the fiscal year audit shows findings where the credit cards exceed the statute limitations, those limits have been lowered to \$5,000/each card. It also showed with no guidelines currently in place, we are holding an Officer's Meeting on January 10, 2022, to establish these. Future actions will be to encumber before charges occur. If a handwritten receipt has been provided, we will include an official, detailed document from the Sheriff's office. We will express the importance of using our tax-exempt card to hotels when paying for hotel rooms. For the three purchase orders that incurred late fees, we are looking at switching from the current phone service vendor which seems to be a consistent problem with late fees due to billing schedule.

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.

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Additionally, 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. § 1506 and 1507 prescribes the procedures for the application and use of County credit cards as well as credit card limits.



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