



OKFUSKEE COUNTY

Financial Audit

For the fiscal year ended June 30, 2019

Cindy Byrd, CPA
State Auditor & Inspector

**OKFUSKEE 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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July 27, 2021

TO THE CITIZENS OF
OKFUSKEE COUNTY, OKLAHOMA

Transmitted herewith is the audit of Okfuskee 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,

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



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

Board of County Commissioners

District 1 – Danny Wilson
District 2 – Terry Wilson
District 3 – James Yandell

County Assessor

Pamela Parish

County Clerk

Dianne Flanders

County Sheriff

Jim Rasmussen

County Treasurer

Lori Coplin

Court Clerk

Sherri Foreman

District Attorney

Max Cook

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

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FINANCIAL SECTION

Independent Auditor's Report

TO THE OFFICERS OF
OKFUSKEE 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 Okfuskee 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 Okfuskee 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 Okfuskee 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 Okfuskee 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 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 July 26, 2021, on our consideration of Okfuskee 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 Okfuskee 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

July 26, 2021

REGULATORY BASIS FINANCIAL STATEMENT

OKFUSKEE 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 Cash Balances July 1, 2018	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2019
Combining Information:						
County General Fund	\$ 307,763	\$ 1,042,052	\$ 112,528	\$ 100,000	\$ 1,076,591	\$ 285,752
General Sales Tax	1,223,684	1,012,488	100,000	100,000	707,770	1,528,402
Highway Cash	2,462,419	2,549,079	20,000	60,000	2,516,363	2,455,135
County Health Department	201,703	189,456	-	-	163,621	227,538
Resale Property	389,653	96,707	23,735	-	109,713	400,382
Emergency Management	30,093	191	-	-	8,232	22,052
Sheriff Service Fee	169,789	72,889	-	-	97,756	144,922
County Clerk Lien Fee	154,102	16,139	-	-	13,964	156,277
County Clerk Records Preservation Fee	51,944	29,489	-	-	24,923	56,510
County Assessor Revolving	8,450	3,009	-	-	2,514	8,945
County Treasurer Mortgage Tax Certification Fee	24,242	1,582	-	-	950	24,874
Sheriff Revolving	39,844	18,537	-	-	58,381	-
CDBG Solid Waste	446	-	-	446	-	-
Insurance Damage	5,727	-	-	5,727	-	-
JAIB Grant	6,092	-	-	6,092	-	-
County Use Tax	73,115	102,743	-	-	61,300	114,558
911 Services	93,185	67,938	293,602	-	58,319	396,406
Adult Drug Court Revolving	94,162	85,492	-	-	94,758	84,896
Court Fund Payroll	2,550	81,303	-	-	80,503	3,350
Sheriff Commissary	34,501	20,698	-	-	29,475	25,724
E-911 Wireless	235,253	58,349	-	293,602	-	-
REAP	-	58,030	-	-	58,030	-
Detention Facility Sales Tax	39,173	663,005	-	-	640,387	61,791
Community Service Sentencing Program	83,154	-	-	-	-	83,154
Juvenile Detention	263	-	-	263	-	-
Combined Total - All County Funds	\$ 5,731,307	\$ 6,169,176	\$ 549,865	\$ 566,130	\$ 5,803,550	\$ 6,080,668

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

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

1. Summary of Significant Accounting Policies

A. Reporting Entity

Okfuskee 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, libraries, 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.

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

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

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

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

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

Emergency Management – accounts for the collection and disbursement of funds from the state for the Emergency Management Department.

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

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

County Clerk Records Preservation Fee – accounts for fees collected for instruments filed with the County Clerk to be used for preservation of records as restricted by state statute .

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

County Treasurer Mortgage Tax Certification Fee – accounts for the collection of fees by the Treasurer for mortgage tax certificates and disbursements are restricted per state statute.

Sheriff Revolving – accounts for revenues from various fees collected by the Sheriff. Disbursements are for any legal expense of the Sheriff's office.

CDBG Solid Waste – accounts for grant monies received and disbursed as restricted by the grant agreement for solid waste.

Insurance Damage – accounts for revenues from the County's insurance coverage. Disbursements are for the repair of damaged properties.

JAIB Grant – accounts for revenues from a Juvenile Accountability and Incentive Block Grant and disbursed as restricted by the grant agreement.

County Use Tax – accounts for revenues from sales tax charged to out-of-county vendors on in-county sales. Disbursements are for any legal expenses of the County.

911 Services – accounts for monies received from private telephone companies for the operations of emergency 911 services on landlines.

Adult Drug Court Revolving – accounts for collections from state funding and disbursements are for adult drug court processes.

Court Fund Payroll – accounts for payroll for the office of the Court Clerk.

Sheriff Commissary – accounts for monies received from the commissary sales and disbursement of funds as restricted by state statute.

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

E-911 Wireless – accounts for monies received from private telephone companies for the operation of emergency 911 wireless services.

REAP – accounts for revenues from a Rural Economic Action Plan Grant provided for the upkeep of county buildings.

Detention Facility Sales Tax – accounts for monies collected from the three-quarter of one cent (.75%) sales tax and disbursement of funds as restricted by sales tax ballot.

Community Service Sentencing Program – accounts for the collection of funding through the State Department of Correction for administrative expenses and supervision of offenders.

Juvenile Detention – accounts for monies received from various State Departments to support or reimbursement of cost of juvenile detention.

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.

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.

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

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.

All investments, except for those investments noted in the preceding paragraph, are backed by the full faith and credit of the United States Government, the Oklahoma State Government, fully collateralized, or fully insured. All investments, except for those investments noted in the preceding paragraph, 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 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

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

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.

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

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

D. Sales Tax

Sales Tax of February 9, 1993

The voters of Okfuskee County approved a one and one-quarter (1.25%) sales tax that went into effect January 1, 1994. This sales tax is limited in duration and was established to provide revenue for the County and used for the following seven specific areas and percentages: General Government 59%, OSU Extension Office 12.5%, County Roads 12%, Maintenance and Repair-Okfuskee County Courthouse 6%, Okfuskee County Free Fair Board 4.5%, Senior Citizens Organizations 3% (distributed equally to four sites), and Rural Fire Department 3% (distributed equally to seven departments).

These funds are accounted for in the General Sales Tax fund.

Sales Tax of January 1, 2017

The voters of Okfuskee County approved a three-fourths (.75%) of one cent sales tax. This sales tax was established to provide revenue for site acquisition, design, construction, financing, furnishing, capital facilities and improvements, equipment, fixtures, site preparation, street improvements, and continuing maintenance and operation expenses for a new Okfuskee County Detention Facility to terminate at twenty (20) years from the effective date of the sales tax or at the date of retirement of any debt incurred related thereto, whichever occurs earlier; provided further that three-eighths (3/8) of one cent shall remain in effect indefinitely to be used for operation and maintenance of the new detention facility and shall remain outstanding until lawfully repealed.

These funds are accounted for in Detention Facility Sales Tax fund.

E. Interfund Transfers

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

- \$100,000 was transferred from General Sales Tax fund to the County General Fund to meet requirements of appropriations in accordance with Title 68 O.S. § 3021.
- \$100,000 was transferred from County General Fund to General Sales Tax fund respectively for the repayment of a loan in accordance with Title 68 O.S. § 3021.
- \$20,000 was transferred from Emergency and Transportation Revolving fund (a Trust and Agency Fund) to Highway Cash fund as a loan for bridge and road projects in the County.
- \$60,000 was transferred from Highway Cash fund to the Emergency and Transportation Revolving fund (a Trust and Agency Fund) to pay off the \$20,000 loan for current year and \$40,000 from a prior year loan.

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

- \$23,735 was transferred to the Resale Property fund from the Treasurer Excess Resale fund (a Trust and Agency Fund) in accordance with Title 68 O.S. § 3131.
- \$446, residual balance, was transferred from the CDBG Solid Waste fund to the County General Fund as approved by Board of County Commissioner (BOCC) resolution to close the fund.
- \$5,727, residual balance, was transferred from the Insurance Damage fund to the County General Fund as approved by BOCC resolution to close the fund.
- \$6,092, residual balance, was transferred from the JAIB Grant fund to the County General Fund as approved by BOCC resolution to close the fund.
- \$263, residual balance, was transferred from the Juvenile Detention fund to the County General Fund as approved by BOCC resolution to close the fund.
- \$293,602, residual balance, was transferred from E-911 Wireless fund to 911 Services fund as approved by BOCC resolution to close the fund.

F. Subsequent Events

On July 30, 2020, one count of embezzlement was filed against a prior County employee. On April 13, 2021, the Okfuskee County District Court ordered the prior County employee to pay restitution in the amount of \$35,388. This amount did not affect the financial statement of the County.

SUPPLEMENTARY INFORMATION

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

	General Fund		
	Budget	Actual	Variance
County Sheriff	\$ 610,056	\$ 609,985	\$ 71
County Treasurer	78,782	77,624	1,158
County Commissioners	116,174	34,635	81,539
Court Clerk	75,636	75,636	-
County Assessor	87,086	85,598	1,488
Revaluation of Real Property	104,300	102,169	2,131
County Election Board	4,200	3,633	567
Insurance - Benefits	61,131	59,041	2,090
MESTA	3,500	3,481	19
Highway Budget Account	1,500	41	1,459
County Audit Budget Account	20,853	14,310	6,543
Total Expenditures, Budgetary Basis	<u>\$ 1,163,218</u>	<u>\$ 1,066,153</u>	<u>\$ 97,065</u>

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

	County Health Department Fund		
	Budget	Actual	Variance
Health and Welfare	\$ 336,175	\$ 178,011	\$ 158,164
Total Expenditures, Budgetary Basis	\$ 336,175	\$ 178,011	\$ 158,164

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

1. Budgetary Schedules

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

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

INTERNAL CONTROL AND COMPLIANCE SECTION

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

TO THE OFFICERS OF
OKFUSKEE 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 Okfuskee County, Oklahoma, as of and for the year ended June 30, 2019, and the related notes to the financial statement, which collectively comprises Okfuskee County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated July 26, 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 Okfuskee 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 Okfuskee County's internal control. Accordingly, we do not express an opinion on the effectiveness of Okfuskee 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 a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention of those charged with governance.



Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be a material weakness: 2019-001.

Compliance and Other Matters

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

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

Okfuskee County's Response to Findings

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

July 26, 2021

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

SECTION 1—Findings related to the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Finding 2019-001 - Lack of Internal Controls Over the County Financial Statement

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 cash receipts were overstated \$603,801 and disbursements were overstated \$627,123. The misstatement was due to the County improperly reflecting a Certificate of Deposit on the financial statement.

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: OSAI recommends the County design and implement policies and procedures to ensure the County's financial statement is accurately presented.

Management Response:

County Treasurer: The Treasurer's office has established internal controls to ensure the accurate presentation of the County's financial statement.

Criteria: 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 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."

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SCHEDULE OF FINDINGS AND RESPONSES
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SECTION 2—This section contains a certain matter not required to be reported in accordance with *Government Auditing Standards*. However, we believe this matter is significant enough to bring to management's attention. We recommend that management consider this matter and take appropriate corrective action.

Finding 2019-006 – Lack of Internal Controls and Noncompliance Over the Inmate Trust Fund Checking Account and Sheriff Commissary Fund (Repeat Finding)

Condition: An audit of the Inmate Trust Fund Checking Account and Sheriff Commissary Fund reflected the following:

- One employee issued receipts, and prepared and made deposits.
- Deposits were not being made daily.
- Inmate ledgers were not reconciled to the bank statement.
- An annual commissary report was not filed with the Board of County Commissioners by January 15th of each year.
- Payments were made out of the Inmate Trust Fund for items other than the payment of inmates at release or to the Sheriff Commissary Fund.

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

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

Recommendation: OSAI recommends the following:

- Key duties and responsibilities should be segregated among different individuals to reduce the risk of error or fraud. No one individual should have the ability to authorize transactions, have physical custody of assets, and record transactions.
- All collections should be deposited daily.
- The total of inmate's trust fund balances should be reconciled to the bank statements each month with someone other than the preparer reviewing it.
- An annual report of commissary operations should be submitted to the Board of County Commissioners no later than January 15th of each year in accordance with state statute.
- Only statutorily allowed expenditures should be made from the Inmate Trust Fund Checking Account.

Management Response:

County Sheriff: The Sheriff's office staff no longer directly receives cash/check payments from inmates or family. Inmates personally feed any monies in their possession into a secure device within the jail which counts the funds and automatically credits their account. Likewise, family or friends wishing to place

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money on an inmate's account, deposits the funds into a secure device in the lobby of the jail. Both of these devices are under 24-hour video surveillance and require two keys to open. This ensures all monies are counted and verified by two persons simultaneously.

Due to a small staff and the outstanding security of the deposit boxes, the boxes have not been emptied daily, however, per your advice back up personnel will be trained to accomplish the deposits if our primary keyholders are not available. I do believe that given the enhanced security of our new system the requirement of a daily deposit reduces the security of funds by forcing us to involve more persons in the process.

The inmate ledger is now reconciled with the monthly bank statement.

I have no excuse for not filing the annual commissary report with the Board of County Commissioners. We will do so as soon as possible.

Checks are no longer written from the Inmate Trust Fund to any entity other than the commissary account or the inmate. In the past, we had written check to family members, bondsmen, or the Court Clerk at the inmate's request.

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

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

Segregation of Duties

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

The GAO Standards – Principle 10 – Segregation of Duties states:

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

10.13 – Segregation of duties helps prevent fraud, waste, and abuse in the internal control system. Management considers the need to separate control activities related to authority, custody, and accounting of operations to achieve adequate segregation of duties. In particular, segregation of duties can address the risk of management override. Management

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override circumvents existing control activities and increases fraud risk. Management addresses this risk through segregation of duties, but cannot absolutely prevent it because of the risk of collusion, where two or more employees act together to commit fraud.

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

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

Internal Control System Monitoring

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

Accountability and stewardship are overall goals of management in the account of funds. An important aspect of internal controls is the safeguarding of assets. Internal controls over safeguarding of assets constitute a process, affected by an entity's governing body, management, and other personnel designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from misappropriation. To help ensure a proper account of funds the duties of receiving, receipting, recording, depositing cash and checks, and transaction authorization should be segregated.

Additionally, effective internal controls should provide for procedures to ensure all collections are receipted in and deposited daily.

Title 19 O.S. § 531 A. states in part, "The county sheriff may establish a checking account, to be designated the "Inmate Trust Fund Checking Account." The county sheriff shall deposit all monies collected from inmates incarcerated in the county jail into this checking account and may write checks to the Sheriff's Commissary Account for purchases made by the inmate during his or her incarceration and to the inmate from unencumbered balances due the inmate upon his or her discharge."

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



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