



OKMULGEE COUNTY

Financial Report

For the fiscal year ended June 30, 2021

Cindy Byrd, CPA
State Auditor & Inspector

**OKMULGEE 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.



June 29, 2023

TO THE CITIZENS OF
OKMULGEE COUNTY, OKLAHOMA

Transmitted herewith is the audit of Okmulgee 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".

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

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

Board of County Commissioners

District 1 – Ron Ballard
District 2 – David Walker
District 3 – James Connors

County Assessor

Ed Johnson

County Clerk

Cathi Murphy

County Sheriff

Eddy Rice

County Treasurer

Vonna Lampkins

Court Clerk

Charly Criner

District Attorney

Carol Iski

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

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 4

 Notes to the Financial Statement..... 5

SUPPLEMENTARY INFORMATION

 Comparative Schedule of Expenditures—Budget and Actual—Budgetary Basis—General Fund..... 13

 Comparative Schedule of Expenditures—Budget and Actual—Budgetary Basis—Health Fund..... 14

 Note to Supplementary Information..... 15

INTERNAL CONTROL AND COMPLIANCE SECTION

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..... 16

Schedule of Findings and Responses..... 18

FINANCIAL SECTION



Independent Auditor's Report

TO THE OFFICERS OF
OKMULGEE 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 Okmulgee 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 Okmulgee 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 Okmulgee 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 Okmulgee 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 June 29, 2023, on our consideration of Okmulgee 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 Okmulgee County's internal control over financial reporting and compliance.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

June 29, 2023

REGULATORY BASIS FINANCIAL STATEMENT

OKMULGEE 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 Fund	\$ 1,208,604	\$ 2,945,102	\$ 52,771	\$ 100,000	\$ 2,481,894	\$ 1,624,583
Highway Cash Fund	675,803	3,208,928	-	-	3,438,814	445,917
Highway TCR Fund	1,896,925	9,047	-	-	-	1,905,972
Half Cent County Road Tax	498,226	1,667,851	-	-	1,575,454	590,623
County Health	1,023,278	510,417	-	-	283,860	1,249,835
Resale Property	869,942	575,618	6,334	52,771	405,605	993,518
Country Bridge and Road Infrastructure	1,266,437	357,004	-	-	707,137	916,304
County Use Tax	1,025,558	939,953	-	1,500	340,552	1,623,459
County Clerk Preservation	58,697	78,095	-	-	67,239	69,553
Sheriff Service Fee	55,823	118,939	-	-	120,754	54,008
Sheriff 1/4 Cent Sales Tax	70,119	851,023	-	-	735,385	185,757
County Building Authority Sales Tax Proceeds	127,323	1,659,659	-	-	1,639,158	147,824
Anna McBride Court Fund	78,061	75,271	-	-	83,875	69,457
Family Treatment Court	1,006	-	-	-	-	1,006
Emergency Management	33,560	26,966	-	-	35,935	24,591
County Clerk Lien Fee	11,579	9,171	-	-	12,935	7,815
Drug Court	116,071	94,155	-	-	134,234	75,992
County Treasurer Certification Fee	18,225	6,543	-	-	1,675	23,093
County Sinking	9,040	71	-	-	-	9,111
Assessor Visual Inspection	6,607	50	-	-	3,021	3,636
Trash Cops Fund	717	-	-	-	-	717
Assessor Revolving Fund	8,643	2,220	-	-	2,192	8,671
Community Development Block Grant-County Fairgrounds	2,085	-	-	-	-	2,085
Community Development Block Grant-Rural Water District 5	12	-	-	-	-	12
Emergency 911	71,036	625,822	101,500	-	727,998	70,360
Court Clerk Personal Service	16,848	192,832	-	-	189,967	19,713
Industrial Development Sinking Fund	35,292	277	-	-	-	35,569
Internet Crimes Against Children (ICAC) Grant	801	279	-	-	-	1,080
Fire Department Sales Tax	808,207	1,105,333	-	-	883,043	1,030,497
Sheriff Oklahoma Attorney General Grant	-	15,000	-	-	15,000	-
COVID Aid and Relief	-	1,255,346	-	-	1,043,198	212,148
American Rescue Plan Act 2021	-	3,735,688	-	-	-	3,735,688
County Donations	11,230	-	-	-	-	11,230
Total - All County Funds as Restated	\$ 10,005,755	\$ 20,066,660	\$ 160,605	\$ 154,271	\$ 14,928,925	\$ 15,149,824

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

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

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

B. Fund Accounting

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

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

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

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

Highway TCR Fund – accounts for revenue from imposed fuel taxes, FEMA reimbursements, interest, and miscellaneous reimbursements. Disbursements are for maintenance, material, and equipment for county roads and highways.

Half Cent County Road Tax – accounts for revenues from special sales tax from the State of Oklahoma and interest. Disbursements are for the Okmulgee County road system.

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

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

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

County Bridge and Road Infrastructure – accounts for revenues from state-imposed taxes, Oklahoma Department of Transportation, and interest. Disbursements are for road and bridge projects.

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

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

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

Sheriff 1/4 Cent Sales Tax – accounts for revenues from special sales tax and disbursements are for lawful operations of the Sheriff's office.

County Building Authority Sales Tax Proceeds – accounts for the revenue from ½ cent county sales tax to be disbursed in accordance with the sales tax ballot.

Anna McBride Court Fund – accounts for contractual revenues from the state and fees and donations from individuals enrolled in the program. Disbursements are for personal services and maintenance and operation costs related to the operation of the program.

Family Treatment Court – accounts for contractual revenues from state and fees and donations from individuals enrolled in the program. Disbursements are for personal services and maintenance and operation costs related to the operation of the program.

Emergency Management – accounts for revenues from state and federal grants, and miscellaneous fees and disbursements are for personal services and maintenance operation.

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

Drug Court – accounts for contractual revenues from state and fees and donations from individuals enrolled in the program. Disbursements are for personal services and maintenance and operation costs related to the operation of the program.

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

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

County Sinking – accounts for debt service receipts derived generally from a special ad valorem tax levy and from interest earned on investments of cash not immediately required for debt service payments.

Assessor Visual Inspection – accounts for the receipt and disbursement of funds by the Assessor as restricted by state statute for the visual inspection program.

Trash Cops Fund – accounts for the state trash cop grant and disbursed for the purpose of trash patrol.

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

Community Development Block Grant-County Fairgrounds – accounts for collections and disbursements of Community Development Block Grant monies used for improvements to the county fairgrounds.

Community Development Block Grant-Rural Water District 5 – accounts for collections and disbursements of Community Development Block Grant monies used for rural water improvements in Rural Water District 5.

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

Court Clerk Personal Service – accounts for funds deposited to be used for payroll for the Court Clerk's office.

Industrial Development Sinking Fund – accounts for interest earned on revenues generated from the leasing of County lands.

Internet Crimes Against Children (ICAC) Grant – accounts for federal grant revenues received from the U.S. Department of Justice. Disbursements are for payroll reimbursement of Okmulgee County Sheriff Deputy salary.

Fire Department Sales Tax – accounts for revenues from a special county sales tax to be disbursed in accordance with the sales tax ballot.

Sheriff Oklahoma Attorney General Grant – accounts for revenue received from the Office of Attorney General Safe Oklahoma Grant. Disbursements are for prevention of violent crimes.

COVID Aid and Relief Fund – accounts for COVID Aid and Relief Economic Stimulus monies received in response to the COVID-19 pandemic to assist local governments with the expenditures incurred due to the public health emergency concerning the Coronavirus Disease 2019 that were not accounted for in the budget prior to March 27, 2020.

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

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

County Donations – accounts for revenues received as a result of a gift, pledge or grant or bequest from a private source. Disbursements are to be spent with regards to the purpose and restrictions placed on the donation.

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.

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 May 31 of each year, each officer or department head submits an estimate of needs (budget) to the governing body. The budget is approved for the respective fund by office, or department and object. Within weeks, the County Budget Board may approve changes of appropriations within the fund by office or department and object.

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

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

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 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.

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

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.

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

D. Sales Tax

The voters of Okmulgee County approved a one-half of one percent (0.50%) sales tax on November 9, 1999. This sales tax was established solely to pay for acquiring, constructing, equipping, operating and maintaining new county jail facilities and parking facility for Okmulgee County and to pay the principal and interest on indebtedness incurred on behalf of the Okmulgee County Governmental Building Authority. One-fourth of one percent (0.25%) shall continue on a

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

permanent basis and one-fourth (0.25%) shall expire and cease to be collected when aforesaid indebtedness of the Okmulgee County Governmental Building Authority is paid or December 31, 2019, whichever comes first. The funds are accounted for in the County Building Authority Sales Tax Proceeds fund.

On March 4, 2014, the voters of Okmulgee County approved a permanent extension of the Okmulgee County Governmental Building Authority's one-fourth of one percent (0.25%) sales tax that would have otherwise terminated no later than December 31, 2019. This sales tax was continued to pay for acquiring, constructing, equipping, operating and maintaining the County jail and parking facilities and to pay the principal of and interest on indebtedness incurred on behalf of the County by any public trust having the County as the beneficiary. The funds are accounted for in the County Building Authority Sales Tax Proceeds fund.

The voters of Okmulgee County approved a permanent one-half percent (0.50%) sales tax on December 14, 2010. This sales tax was established to provide revenue for the use and benefit of the Okmulgee County Road System. These funds are accounted for in the Half Cent County Road Tax fund.

The voters of Okmulgee County also approved a permanent one-fourth of one percent (0.25%) sales tax on December 14, 2010. This sales tax was established to provide revenue for the lawful duties and responsibilities of the County Sheriff's Office. These funds are accounted for in the Sheriff 1/4 Cent Sales Tax fund.

The voters of Okmulgee County approved a permanent thirty-three and one third hundredths of one percent (.00333%) sales tax on April 3, 2018. This sales tax was established to provide revenue for the operations, equipment purchases, and capital outlay of fire departments located in Okmulgee County, Oklahoma. These funds are accounted for in the Fire Department Sales Tax fund.

E. Interfund Transfers

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

- \$52,771 was transferred from the Resale Property fund to the County General Fund as authorized by 68 O.S. § 3137.
- \$100,000 was transferred from the County General Fund to the Emergency 911 fund to account for a budgeted transfer.
- \$6,334 was transferred from the Excess Resale Proceeds fund (a trust and agency fund) to the Resale Property fund in accordance with 68 O.S. § 3131C.
- \$1,500 was transferred from County Use Tax fund to Emergency 911 fund to meet the requirements of appropriation in accordance with 68 O.S. § 3021.

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

F. Restatement of Fund Balance

During the fiscal year, the County had a reclassification of funds. The County Donations fund was reclassified as a county fund and represents donations made to the County to be spent in accordance with the purpose and restrictions placed on the donation.

Prior year ending balance, as reported	\$ 9,994,525
Funds reclassified to County Funds:	
County Donations fund reclassified from a Trust and Agency Fund to a County Fund	<u>11,230</u>
Prior year ending balance, as restated	<u>\$10,005,755</u>

SUPPLEMENTARY INFORMATION

OKMULGEE 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 - County	\$ 12,165	\$ 10,331	\$ 1,834
County Sheriff	153,350	152,756	594
County Treasurer	157,068	156,152	916
County Commissioners	191,704	189,548	2,156
O.S.U. Extension	106,201	102,975	3,226
EODD	3,930	3,930	-
County Clerk	207,800	206,351	1,449
Court Clerk	128,091	118,289	9,802
Community Service Program	2,000	1,750	250
County Assessor	104,300	102,416	1,884
Revaluation of Real Property	327,368	321,685	5,683
General Government	1,910,348	842,612	1,067,736
Excise - Equalization Board	3,683	1,906	1,777
County Election Board	109,974	100,750	9,224
County Purchasing Agent	32,974	32,934	40
Emergency Management	43,742	43,440	302
Safety	8,000	6,559	1,441
Highway Budget Account	45,699	35,673	10,026
County Audit Budget Account	45,408	19,032	26,376
Free Fair Budget Account	30,000	29,795	205
Provision for Interest on Warrants	5,000	484	4,516
Total Expenditures, Budgetary Basis	<u>\$ 3,628,805</u>	<u>\$ 2,479,368</u>	<u>\$ 1,149,437</u>

OKMULGEE 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	\$ 1,374,852	\$ 585,135	\$ 789,717
Total Expenditures, Budgetary Basis	\$ 1,374,852	\$ 585,135	\$ 789,717

**OKMULGEE 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 County 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
OKMULGEE 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 Okmulgee County, Oklahoma, as of and for the year ended June 30, 2021, and the related notes to the financial statement, which collectively comprise Okmulgee County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated June 29, 2023.

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 Okmulgee 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 Okmulgee County's internal control. Accordingly, we do not express an opinion on the effectiveness of Okmulgee 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, 2021-002, 2021-003, 2021-006, 2021-007, and 2021-008.

Compliance and Other Matters

*As part of obtaining reasonable assurance about whether Okmulgee County's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2021-007.*

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

Okmulgee County's Response to Findings

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



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

June 29, 2023

**OKMULGEE 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 Controls and Disaster Recovery Plans (Repeat Finding - 2015-001, 2016-001, 2017-001, 2018-001, 2019-001, 2020-001)

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

- County-wide internal controls regarding Control Environment, Risk Assessment, Information and Communication and Monitoring have not been designed.
- The County Sheriff, Court Clerk and the three County Commissioners have not yet designed a Disaster Recovery Plan over information systems operating within each office.

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

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

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

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

Management Response:

District 1 County Commissioner: I took office in October 2022. I will work with the other elected officials to implement the Auditor's recommendations.

District 2 County Commissioner: I will work with other elected officials to implement policy and procedures like quarterly risk meetings to address county-wide internal controls over Control Environment, Risk Assessment, Information and Communication, and Monitoring. Policies and procedures will include setting up all three commissioners in the County Clerk's accounting software system ensure a closer monitoring of transactions, ensuring all offices have a Disaster Recovery Plan, and implementing quarterly

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

risk assessment meeting with the other elected officials. Additionally, we will create a Disaster Recovery Plan for District 2.

District 3 County Commissioner: I took office on January 3, 2023. However, I will get with other elected officials to design and implement a system of written county-wide procedures to added identify and address risk related to financial reporting and to ensure information is communicated effectively. Additionally, I will get with all officials to ensure a formal disaster recovery plan is in place for their office in order to maintain operations in the event of a disaster.

County Clerk: I did not take office until April 2022, but I will try to get the Budget Board members more involved as a group to create a county-wide internal control system and hold quarterly risk assessment meetings.

County Treasurer: I am aware this is a repeat finding. I will try to work with each of the other elected officials to see that we meet to get the county-wide controls designed and in place.

County Sheriff: I will work with the other County Officials to implement quarterly meetings to discuss and assess risks. Additionally, we are in the process of preparing our Disaster Recovery Plan.

County Assessor: I will work with the other elected officials to design and implement a system of written county-wide procedures to identify and address risks related to financial reporting, to ensure that information is communicated effectively, and to assess the quality of performance over time.

Court Clerk: I will meet and talk with other elected officials to plan and implement written county-wide procedures to identify and address risks related to financial reporting and to make sure that information is communicated effectively to assess the quality of performance over time. Also, I am going to get a copy of the County Clerks Disaster Recovery Plan and use it to prepare one for the Court Clerk's Office.

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

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

Definition of Internal Control

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

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

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

Components, Principles, and Attributes

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

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

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

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

Further, an important aspect of internal controls is the safeguarding of assets which includes adequate Disaster Recovery Plans. Internal controls over safeguarding of assets constitute a process, affected by an entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention in a County being unable to function in the event of a disaster.

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

Finding 2021-002 - Lack of Internal Controls Over Financial Statement Preparation and Notes to the Financial Statement (Repeat Finding - 2003-001, 2004-001, 2005-001, 2006-001, 2007-001, 2008-001, 2009-001, 2010-001, 2015-002, 2016-002, 2017-002, 2018-002, 2019-002, 2020-002)

Condition: The County is responsible for preparing their annual financial statement and notes to the financial statement. However, it does not appear the County has implemented any internal controls to ensure the financial statement and the required disclosures are accurately presented, are prepared in a timely manner, and are supported by accurate underlying financial records.

During the review and reconciliation of the financial statement as initially prepared by the County, OSAI determined the financial statement was misstated as follows:

- Apportionments were understated by \$4,851,973.
- Disbursements were understated by \$643,198.
- Beginning fund balance was overstated by \$296,960.
- Ending fund balance was understated by \$3,932,549.

Additionally, transfers in and transfers out were understated \$52,059 and \$100,584, respectively.

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

These misstatements were largely due to the County accounting for trust and agency revenues and expenditures in county funds, not carrying corrections from the prior years' financial statements to the fiscal year 2021 financial statement, misclassifying true transfers, and the following data entry errors:

- \$4,953,038 in data entry errors in apportionments, resulting in apportionments being understated.
- \$1,043,198 in data entry errors in disbursements, resulting in disbursements being understated.
- \$8,190 in data entry errors in the beginning fund balance, resulting in the beginning fund balance being overstated.
- \$3,921,319 in data entry errors in the ending fund balance, resulting in the ending fund balance being understated.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure the County's financial statement and notes to the financial statement are accurately presented. Additionally, policies and procedures have not been designed and implemented to ensure the accuracy of the underlying financial records from which the County's financial statement is generated.

Effect of Condition: These conditions resulted in:

- The financial statement and notes to the financial statement initially prepared by the County being materially misstated.
- The County presenting a revised financial statement and notes to the financial statement.

Recommendation: OSAI recommends the County design and implement policies and procedures to ensure the financial statement and notes to the financial statement are prepared in a timely manner, reviewed for accuracy and completeness, and approved by management. OSAI also recommends the underlying financial records from which the County's financial statement is generated are reviewed for accuracy.

Management Response:

Chairman of the Board of County Commissioners: I will work with other elected officials to ensure that proper procedures are put in place to ensure the County's financial statement and notes to the financial statement are accurately presented.

County Clerk: I did not take office until April 2022; however, I will work to design and implement policies and procedures to ensure the financial statement and notes to the financial statement are prepared in a timely manner, checked for accuracy, and approved by management. I will also work with other responsible parties to ensure the County presents the financial statement and notes to the financial statement to OSAI for review in a timely manner.

County Treasurer: I will work to implement policies and procedures to ensure the financial statement, notes to the financial statement, and supplemental information are all prepared in a timely manner, reviewed for accuracy and completeness, and approved by management.

Criteria: 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

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

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.”

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 County’s management is responsible for establishing internal control procedures to prevent or detect misstatements in a timely manner. This includes preparation of the financial statements and accompanying notes to the financial statements in accordance with applicable accounting principles. Statement on Auditing Standards (SAS) No. 115 indicates that the County must have adequate knowledge and expertise to apply accounting principles to the financial statements or to review financial statements prepared on their behalf by others to ensure they are prepared in accordance with these principles. Professional audit standards preclude the external financial statement auditor from performing any part of management’s control activities or be a component of the internal controls over financial reporting as this would impair their independence.

The GAO Standards – Principle 13 – Use Quality Information states:

Data Processed into Quality Information

13.05 - Management processes the obtained data into quality information that supports the internal control system. This involves processing data into information and then evaluating the processed information so that it is quality information. Quality information meets the identified information requirements when relevant data from reliable sources are used. Quality information is appropriate, current, complete, accurate, accessible, and provided on a timely basis. Management considers these characteristics as well as the information processing objectives in evaluating processed information and makes revisions when necessary, so that the information is quality information.

13.06 - Management processes relevant data from reliable sources into quality information within the entity’s information system. An information system is the people, processes, data, and technology that management organizes to obtain, communicate, or dispose of information. Management uses the quality information to make informed decisions and evaluate the entity’s performance in achieving key objectives and addressing risks.

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

Finding 2021-003 - Lack of Internal Controls Over the Reconciliation of Appropriation Ledger to the General Ledger (Repeat Finding - 2015-008, 2016-008, 2017-008, 2018-008, 2019-006, 2020-006)

Condition: The County Clerk does not reconcile the appropriation ledger to the County Treasurer's general ledger on a monthly basis for all cash funds.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure the reconciliation of the County Clerk's appropriation ledger to the County Treasurer's general ledger is performed on a monthly basis for all funds.

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

Recommendation: OSAI recommends the County Clerk reconciles the appropriation ledger to the County Treasurer's general ledger on a monthly basis. The reconciliation should be reviewed and approved by someone other than the preparer. All documentation to support the performance and review and approval of the reconciliation should be retained.

Management Response:

County Clerk: I did not take office until April 2022. The County Clerk's office is now balancing the appropriation ledger to the Treasurer's general ledger. They are now balanced up to May 2023 and will continue to be balance on a monthly basis.

County Treasurer: This office continues to work with the County Clerk to balance the appropriation ledger to the general ledger and will continue to provide necessary information to the County Clerk.

Criteria: The GAO Standards - Principle 16 – Perform Monitoring Activities: 16.05 states in part:

Internal Control System Monitoring

Management performs ongoing monitoring of the design and operating effectiveness of the internal control system as part of the normal course of operations. Ongoing monitoring includes regular management and supervisory activities, comparisons, reconciliations and other routine actions.

Finding 2021-006 - Lack of Internal Controls Over County Treasurer Operations – Cash Balances (Repeat Finding - 2015-009, 2016-009, 2017-005, 2018-005, 2019-004, 2020-004)

Condition: Upon inquiry of the County Treasurer's staff, observation of records, and performance of testwork; we noted the following:

- The County does not have an adequate segregation of duties to ensure that duties assigned to individuals are done so in a manner that would not allow one individual to control both the recording function and the procedures relative to the processing of a transaction.

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

- One person is responsible for posting to the general ledger, reconciling the general ledger to the daily reports, preparing and signing the monthly reports, updating the investment ledger each month, making transfers between bank accounts, and performing banks reconciliations.
- If the person responsible for the preparation of the monthly reports and bank reconciliations is unavailable, no one assumes these duties but rather these duties are not performed until said individual returns.
- Bank reconciliations are not reviewed and approved by someone other than the preparer.
- Two (2) bank accounts established under the County's Employer Identification Number (EIN) that are not accounted for on the County's general ledger:
 - Okmulgee County Free Fair - DBA Okmulgee County Spring Livestock Show account
 - Okmulgee County Sheriff account
- Bank reconciliations are not being performed on the following three (3) accounts and, therefore: balances at June 30 could not be substantiated:
 - Okmulgee County District Attorneys Credit Card account, at June 30, 2021 the bank balance was \$7,547.
 - Okmulgee County Free Fair - DBA Okmulgee County Spring Livestock Show account, at June 30, 2021 the bank balance was \$28,412.
 - Okmulgee County Sheriff account, at June 30, 2021 the bank balance was \$6,890.

Cause of Condition: Policies and procedures have not been designed and implemented over cash balances in fiscal year 2021 to separate key functions and processes among various employees in the office, to have levels of review over the processes performed, and to ensure accurate and proper accounting of funds.

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

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

Additionally, OSAI recommends:

- All bank accounts established under the County's EIN be recorded on the County Treasurer's general ledger.
- Bank balance reconciliations should be performed on all bank accounts on a monthly basis.
- All bank reconciliations should reflect an indication of review and approval by someone other than the preparer.

Management Response:

County Treasurer: The County Treasurer will make every effort to review, date, and initial as a reviewer on the items listed above on a regular basis. In addition, cross-training will be performed so that essential

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

bookkeeping duties are not left undone when an employee is out of the office. The County Treasurer will make every effort to make sure that the EIN isn't being used by any entity than the County. I have notified the entities that were using our EIN to stop immediately and acquire their own EIN. The County Treasurer will make every effort to see that the unidentified reconciling items for the District Attorney's Credit Card bank account researched and resolved by both departments.

Criteria: The GAO Standards – Principle 10 – Design Control Activities – 10.03 - Design of Appropriate Types of Control Activities states in part:

Establishment and review of performance measures and indicators

Management establishes activities to monitor performance measures and indicators. These may include comparisons and assessments relating different sets of data to one another so that analyses of the relationships can be made and appropriate actions taken. Management designs controls aimed at validating the propriety and integrity of both entity and individual performance measures and indicators.

Segregation of Duties

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

Accurate and timely recording of transactions

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

Access restrictions to and accountability for resources and records

Management limits access to resources and records to authorized individuals and assigns and maintains accountability for their custody and use. Management may periodically compare resources with the recorded accountability to help reduce the risk of errors, fraud, misuse, or unauthorized alteration.

Appropriate documentation of transactions and internal control

Management clearly documents internal control and all transactions and other significant events in a manner that allows the documentation to be readily available for examination. The documentation may appear in management directives, administrative policies, or operating manuals, in either paper or electronic form. Documentation and records are properly managed and maintained.

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

Additionally, Principle 10 - Segregation of Duties states:

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

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

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

Finding 2021-007 - Lack of Internal Controls and Noncompliance Over Disbursements (Repeat Finding - 2000-001, 2001-001, 2015-011, 2016-011, 2017-009, 2018-010, 2019-007, 2020-007)

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

- The County does not have an adequate segregation of duties to ensure that duties assigned to individuals are done so in a manner that would not allow one individual to control both the recording function and the procedures relative to the processing of a transaction.
 - The purchasing agent is responsible for generating and printing warrants, taking the warrants to the Treasurer to be registered, receiving registered warrants, and voiding warrants in the systems. Additionally, it was noted that there is no review of the printed warrants or voided warrants.
- The County Clerk's disbursement data was incomplete and lacked pay dates. There appears to be an issue with importing data between the County Treasurer and the County Clerk.
- Resale Property fund disbursements are to be expended from the Resale Property fund via cash vouchers and cash voucher claims. However, OSAI noted the following:
 - Some expenditures are made on purchase orders and warrants and some expenditures are made on cash voucher claims and treasurer checks.
 - The County Treasurer issued twenty (20) treasurer checks totaling \$106,442 from the Resale Property fund.
- The County Clerk's signature stamp is utilized by other County Clerk employees to endorse vendor warrants.

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

A sample of fifty-six (56) expenditures reflected the following:

- One (1) expenditure totaling \$300,000 was not charged to the proper fund due to Emergency Transportation Revolving (ETR) fund loans being paid from the Highway Cash Fund, a county fund, instead of the ETR fund, a trust and agency fund.
- One (1) expenditure totaling \$17,381 was not approved for payment by the Board of County Commissioners (BOCC).
- Five (5) expenditures totaling \$1,868 were not supported by adequate documentation.
- Four (4) expenditures totaling \$280,557 were not encumbered prior to receiving goods or services.

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

Effect of Condition: These conditions resulted in noncompliance with state statutes, unrecorded transactions, undetected errors, and inaccurate records, and could have resulted in the misappropriation of funds.

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

OSAI also recommends the County implement a system of internal controls over the disbursement process. Such controls should include ensuring:

- Expenditure data is complete and accurate.
- Purchase orders and warrants are issued in accordance with 19 O.S. § 1505.
- All expenditures are approved by the BOCC and documentation of approval is retained.
- Resale Property funds are expended in accordance with 68 O.S. § 3137.
- Expenditures are made from the proper fund and supported by adequate documentation.
- Funds are encumbered prior to the receipt of goods and/or services.
- Signature stamps are safeguarded from unauthorized use and are only used by the official to whom it belongs.

Management Response:

District 1 County Commissioner: I took office in October 2022. I will work with the other elected officials to implement the Auditor's recommendations.

District 2 County Commissioner: I will work with other elected officials to design and implement policies and procedures to ensure all disbursement comply with state statutes. These policies and procedures will include getting access for all three commissioners to the County Clerk's accounting software system to allow for monitoring of transactions and a more thorough review of transactions by the BOCC prior to

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

approval; working with the other elected officials and department heads to ensure expenditures are made from the correct fund, are supported by adequate documentation, are approved by the BOCC; and funds are encumbered prior to the ordering of goods or services.

District 3 County Commissioner: I did not take office until January 3, 2023. I will work with the other officials to design and implement a system of internal controls over the disbursement process to ensure purchase orders and warrants are issued in accordance with 19 O.S. § 1505; expenditures are made from the proper fund, supported by adequate documentation, and approved by the BOCC; and funds are encumbered prior to the receipt of goods and/or services.

County Clerk: I did not take office until April 2022. The County Clerk's signature is now embedded on the warrants. Going forward, I will make the necessary adjustments and follow the state purchasing guidelines for all funds. I will ensure that purchase orders are encumbered prior to receipt of goods or services; expenditures are supported by adequate documentation, made from the proper fund, and approved by the BOCC; and purchase orders and warrants are issued in accordance with 19 O.S. § 1505. I will also work to ensure accuracy of the County's financial expenditure data.

County Treasurer: I will work to ensure that the expenditure data is complete and accurate; purchase orders and warrants are issued in accordance with statutes; resale property funds are expended in accordance with statutes; expenditures are made from proper fund and supported by adequate documentation; expenditures are a true expense of the county; and funds are encumbered prior to the receipt of goods and/or services.

County Sheriff: I will continue to work with the other Officials to ensure purchase orders and warrants are issued in accordance with 19 O.S. § 1505.

Health Department Director: Going forward, I will ensure that all supporting documentation, including a receiving report, will be submitted with all purchase orders turned in for payment.

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.

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

Segregation of Duties

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

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

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

Appropriate documentation of transactions and internal control

Management clearly documents internal control and all transactions and other significant events in a manner that allows the documentation to be readily available for examination. The documentation may appear in management directives, administrative policies, or operating manuals, in either paper or electronic form. Documentation and records are properly managed and maintained.

Additionally, Principle 10 - Segregation of Duties states:

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

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

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

The GAO Standards – Principle 13 – Use Quality Information states:

Data Processed into Quality Information

13.05 - Management processes the obtained data into quality information that supports the internal control system. This involves processing data into information and then evaluating the processed information so that it is quality information. Quality information meets the identified information requirements when relevant data from reliable sources are used. Quality information is appropriate, current, complete, accurate, accessible, and provided on a timely basis. Management considers these characteristics as well as the information processing objectives in evaluating processed information and makes revisions when necessary, so that the information is quality information.

13.06 - Management processes relevant data from reliable sources into quality information within the entity's information system. An information system is the people, processes, data, and technology that management organizes to obtain, communicate, or dispose of

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

information. Management uses the quality information to make informed decisions and evaluate the entity's performance in achieving key objectives and addressing risks.

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

Title 68 O.S. § 3137 establishes the Resale Property Fund and prescribes the procedures for expending from this fund.

Finding 2021-008 - Lack of Internal Controls and Segregation of Duties Over Payroll (Repeat Finding - 2011-001, 2012-001, 2015-012, 2016-012, 2017-010, 2018-011, 2019-008, 2020-011)

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

- The County does not have an adequate segregation of duties to ensure that duties assigned to individuals are done so in a manner that would not allow one individual to control both the recording function and the procedures relative to the processing of a transaction.
 - One employee is responsible for:
 - Enrolling new hires and has the capability of terminating employees in the system.
 - Reviewing payroll claims.
 - Inputting payroll information into the system.
 - Calculating withholdings.
 - Preparing withholding reports.
 - Preparing, printing, and distributing payroll warrants.
 - Maintaining warrant register.
 - Maintaining personnel files.
 - Reconciling direct deposit amounts back to payroll claims. Additionally, this individual is the direct contact for the bank regarding direct deposit issues.
- The County Clerk's signature stamp is utilized by other County Clerk employees to endorse payroll warrants.

Cause of Condition: Policies and procedures have not been designed and implemented with regards to segregation of duties and/or compensating controls over the payroll process and the usage of the County officers' signature stamps.

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

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

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

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

Further, OSAI recommends that signature stamps be used only by the official. The official should ensure that signature stamps are adequately safeguarded from unauthorized use.

Management Response:

County Clerk: I did not take office until April 2022. I am now responsible for reviewing and printing payroll warrants, reconciling direct deposit and I am the contact for direct deposit issues with the bank. My signature stamp is now embedded on the warrants.

Auditor Response: The individual responsible for initiating the direct deposit should not be the same individual the bank would contact to resolve direct deposit issues.

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

Internal Control System Monitoring

Management performs ongoing monitoring of the design and operating effectiveness of the internal control system as part of the normal course of operations. Ongoing monitoring includes regular management and supervisory activities, comparisons, reconciliations and other routine actions.

Segregation of Duties

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

Additionally, Principle 10 - Segregation of Duties states:

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

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

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

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.

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 2021-015 - Lack of Internal Controls Over Official Depository Collections - County Treasurer (Repeat Finding)

Condition: Upon inquiry and observation of the County’s official depository collection process, we noted the following:

- The County does not have an adequate segregation of duties to ensure that duties assigned to individuals are done so in a manner that would not allow one individual to control both the recording function and the procedures relative to the processing of a transaction.
 - One individual can receive daily collections from the various offices within the County.
 - Reconcile collections to deposit.
 - Access daily collections maintained in safe.
 - Prepare deposit ticket.
 - Take deposit to the bank.
- There is no indication that the official depository collections and deposit are reviewed for accuracy by someone other than the preparer prior to being taken to the bank.

Cause of Condition: Policies and procedures have not been adequately designed and implemented over official depository collections.

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

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

Management Response:

County Treasurer: This office will work to improve upon the segregation of duties pertaining to the Official Depository.

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

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

Internal Control System Monitoring

Management performs ongoing monitoring of the design and operating effectiveness of the internal control system as part of the normal course of operations. Ongoing monitoring includes regular management and supervisory activities, comparisons, reconciliations and other routine actions.

Appropriate documentation of transactions and internal control

Management clearly documents internal control and all transactions and other significant events in a manner that allows the documentation to be readily available for examination. The documentation may appear in management directives, administrative policies, or operating manuals, in either paper or electronic form. Documentation and records are properly managed and maintained.

Segregation of Duties

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

Additionally, Principle 10 - Segregation of Duties states:

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

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

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

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

Finding 2021-009 - Lack of Internal Controls over Collection, Disbursements and Reporting and Reconciliation Processes – Court Clerk (Repeat Finding)

Condition: Upon inquiry regarding the receipting, disbursement, and reporting and reconciliation processes over the Official Depository Fund, Court Fund and the Court Clerk Revolving Fund, the following weaknesses were noted:

Official Depository:

- The County does not have an adequate segregation of duties to ensure that duties assigned to individuals are done so in a manner that would not allow one individual to control both the recording function and the procedures relative to the processing of a transaction.
 - Deposits are not reviewed for accuracy before they are taken to the Treasurer’s office.
 - One individual can receive collections and issue receipts; calculate amounts to be vouchered out; prepare, sign, and distribute official depository vouchers; post official depository vouchers to register; and reconcile official depository to the County Treasurer.

Court Fund:

- The County does not have an adequate segregation of duties to ensure that duties assigned to individuals are done so in a manner that would not allow one individual to control both the recording function and the procedures relative to the processing of a transaction.
 - One individual can prepare, approve, and review Court Fund claims; prepare sign, and distribute Court Fund vouchers; take Court Fund vouchers to Treasurer to be register and receive registered vouchers; post Court Fund disbursements to the claim’s calendar/voucher register; prepare the Court Fund monthly, quarterly, and yearly reports.
 - The Court Clerk is relying on the County Treasurer to review the Court Fund reports for accuracy.

Revolving Fund:

- The County does not have an adequate segregation of duties to ensure that duties assigned to individuals are done so in a manner that would not allow one individual to control both the recording function and the procedures relative to the processing of a transaction.
 - One individual can prepare, sign, and distribute Court Clerk Revolving Fund vouchers. Additionally, this same individual can take Revolving Fund vouchers to Treasurer to be register and receive registered vouchers back from the Treasurer.
 - The Revolving Fund quarterly reports are not reviewed by someone other than the preparer.

Cause of Condition: Policies and procedures have not been designed and implemented with regard to segregation of duties over all aspects of collection, disbursement, reporting, and reconciliation processes within the Court Clerk’s office.

Effect of Condition: These conditions could result in unrecorded transactions, misappropriation of funds, or clerical errors that are not detected in a timely manner.

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

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

Management Response:

Court Clerk: We have started segregating some of these duties and plan to do even more.

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

Segregation of Duties

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

Additionally, Principle 10 - Segregation of Duties states:

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

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

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

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

Finding 2021-011 – Lack of Controls and Noncompliance Over Fixed Assets Inventory

Condition: Upon inquiry of County personnel, observation, and review of fixed assets inventory records, we noted the following:

- The following County office did not file an inventory list with the County Clerk:
 - Court Clerk

- The following Fire Departments that receive County sales tax do not file an inventory list with the County Clerk:
 - Beggs
 - Beggs Rural
 - Henryetta
 - Mounds
 - Morris
 - Okmulgee
 - Twin Hills

- An annual physical inventory count of fixed assets is not being performed in the following County offices:
 - County Commissioner District 1
 - County Commissioner District 2
 - County Commissioner District 3
 - General Government – BOCC
 - Emergency Management - BOCC
 - Court Clerk
 - County Sheriff
 - Health Department

- There is no indication an annual physical inventory count of fixed assets is being performed at the following Fire Departments that receive County sales tax:
 - Beggs
 - Beggs Rural
 - Dewar
 - Grayson
 - Henryetta
 - Liberty
 - Morris
 - Mounds
 - Nuyaka
 - Okmulgee
 - Plainview
 - Preston
 - Schulter

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

- Twin Hills
- Wilson

Cause of Condition: Policies and procedures have not been designed and implemented regarding effective internal controls over the safeguarding of fixed asset inventory and to ensure compliance with state statutes.

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

Recommendation: OSAI recommends the County adopt policies and procedures to implement a system of internal controls over fixed assets to ensure compliance with state statutes.

Management Response:

District 1 County Commissioner: I took office in October 2022. I will work with the other elected officials to implement the Auditor’s recommendations.

District 2 County Commissioner: I will review fixed assets yearly against the master list in the County Clerk’s office to make sure all items are accounted for and sign off on review form. Additionally, I will ensure that a letter is sent out to all fire departments to remind them of the requirement to comply with the fixed assets requirements.

District 3 County Commissioner: I took office on January 3, 2023; however, I will get with the other officials to recommend that the county adopt policies and procedures to implement a system of internal controls over fixed assets to ensure compliance with the state statutes and that all departments perform periodic inventory.

Court Clerk: We are working on this with our effort of reducing files as well. Once we get some files out of the way, we can see what all inventory is upstairs. Until then, we will make an inventory list of what is in this office.

County Sheriff: I will adopt policies and procedures to implement a system of internal controls over fixed assets to ensure compliance with state statutes.

Health Department Director: I have not been in the office management position long. Going forward, I will make sure that policies and procedures are in place to ensure that the annual inventory count gets documented on the inventory that is filed annually with the Okmulgee County Clerk.

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

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

apply to the entity. Management is expected to set objectives that incorporate these requirements.

Additionally, GAO Standards – Section 2 – Establishing an Effective Internal Control System – OV2.24 states in part:

Objectives of an Entity - Safeguarding of Assets

Management designs an internal control system to provide reasonable assurance regarding prevention or prompt detection and correction of unauthorized acquisition, use, or disposition of an entity's assets.

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

Physical Control over Vulnerable Assets

Management establishes physical control to secure and safeguard vulnerable assets. Examples include security for and limited access to assets such as cash, securities, inventories, and equipment that might be vulnerable to risk of loss or unauthorized use. Management periodically counts and compares such assets to control records.”

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

Title 19 O.S. § 178.3 requires the elected officials to create and maintain inventory records of their office and to file that with the County Clerk.

Title 19 O.S. § 1502(A)(1) requires a prescribed uniform identification system for all supplies, materials, and equipment of a county used for maintenance for roads and bridges.

Title 19 O.S. § 1502(B)(1) requires a prescribed uniform identification system for all supplies, materials, and equipment of a county not used in the construction and maintenance for roads and bridges.

O·K·L·A·H·O·M·A
S·A·I
STATE AUDITOR & INSPECTOR



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