



OKMULGEE COUNTY

Financial Report

For the fiscal year ended June 30, 2020

Cindy Byrd, CPA
State Auditor & Inspector

**OKMULGEE COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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OKLAHOMA
Office of the State Auditor & Inspector

Cindy Byrd, CPA | State Auditor & Inspector

2300 N. Lincoln Blvd., Room 123, Oklahoma City, OK 73105 | 405.521.3495 | www.sai.ok.gov

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, 2020. The audit was conducted in accordance with 19 O.S. § 171.

A report of this type can be critical in nature. Failure to report commendable features in the accounting and operating procedures of the entity should not be interpreted to mean that they do not exist.

The goal of the State Auditor and Inspector is to promote accountability and fiscal integrity in state and local government. Maintaining our independence as we provide this service to the taxpayers of Oklahoma is of utmost importance.

We wish to take this opportunity to express our appreciation for the assistance and cooperation extended to our office during our engagement.

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

Sincerely,

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

**OKMULGEE COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Board of County Commissioners

District 1 – Ron Ballard
District 2 – Robert Hardridge
District 3 – James Connors

County Assessor

Ed Johnson

County Clerk

Becky Thomas

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, 2020**

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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, 2020, 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, 2020, 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, 2020, 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.

A handwritten signature in blue ink that reads "Cindy Byrd". The signature is written in a cursive, flowing style.

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

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, 2020

	Beginning Cash Balances July 1, 2019	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2020
Combining Information:						
County General Fund	\$ 1,042,800	\$ 2,707,434	\$ 81,867	\$ 96,337	\$ 2,527,160	\$ 1,208,604
Highway Cash Fund	480,191	3,016,708	500,000	500,000	2,821,096	675,803
Highway TCR Fund	1,893,106	21,800	-	-	17,981	1,896,925
Half Cent County Road Tax	605,981	1,465,477	-	-	1,573,232	498,226
County Health	874,713	566,162	-	-	417,597	1,023,278
Resale Property	870,715	505,473	14,257	81,867	438,636	869,942
Country Bridge and Road Infrastructure	1,392,848	631,921	-	-	758,332	1,266,437
County Use Tax	211,082	1,068,851	-	-	254,375	1,025,558
County Clerk Preservation	38,818	58,590	-	-	38,711	58,697
Sheriff Service Fee	99,951	138,951	2,265	-	185,344	55,823
Sheriff 1/4 Cent Sales Tax	76,153	725,315	-	-	731,349	70,119
County Building Authority Sales Tax Proceeds	-	1,443,440	-	-	1,316,117	127,323
Anna McBride Court Fund	20,538	125,596	-	-	68,073	78,061
Family Treatment Court	1,006	-	-	-	-	1,006
Emergency Management	26,026	48,490	-	-	40,956	33,560
County Clerk Lien Fee	7,516	10,398	-	-	6,335	11,579
Drug Court	41,856	187,121	-	-	112,906	116,071
Sheriff Consolidated Special	2,265	-	-	2,265	-	-
County Treasurer Certification Fee	16,176	5,827	-	-	3,778	18,225
County Sinking	8,937	103	-	-	-	9,040
Assessor Visual Inspection	8,675	89	-	-	2,157	6,607
Trash Cops Fund	717	-	-	-	-	717
Assessor Revolving Fund	9,135	1,491	-	-	1,983	8,643
Community Development Block Grant-County Fairgrounds	2,085	-	-	-	-	2,085
Community Development Block Grant-Rural Water District 5	-	6,480	-	-	6,468	12
Community Development Block Grant-Winchester 17005	-	137,178	-	-	137,178	-
Emergency 911	64,993	567,295	96,337	-	657,589	71,036
Court Clerk Personal Service	47,594	173,109	-	-	203,855	16,848
Industrial Development Sinking Fund	34,887	405	-	-	-	35,292
Internet Crimes Against Children (ICAC) Grant	-	2,370	-	-	1,569	801
Fire Department Sales Tax	552,669	902,150	-	-	646,612	808,207
Sheriff Oklahoma Attorney General Grant	-	12,653	-	-	12,653	-
Combined Total - All County Funds	\$ 8,431,433	\$ 14,530,877	\$ 694,726	\$ 680,469	\$ 12,982,042	\$ 9,994,525

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, 2020**

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, 2020**

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.

Sheriff Consolidated Special – accounts for the consolidation of miscellaneous Sheriff funds.

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, 2020**

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.

Community Development Block Grant-Winchester 17005 – accounts for collections and disbursements of Community Development Block Grant monies used for asphalt and paving a new road in the town of Winchester.

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.

**OKMULGEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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 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.

**OKMULGEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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.

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.

**OKMULGEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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 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.

**OKMULGEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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:

- \$81,867 was transferred from the Resale Property fund to the County General Fund as authorized by 68 O.S. § 3137.
- \$96,337 was transferred from the County General Fund to the Emergency 911 fund to account for a budgeted transfer.
- \$500,000 was transferred from the Emergency Transportation fund (a trust and agency fund) to the Highway Cash Fund for proposed road and bridge projects.
- \$300,000 was transferred from the Highway Cash Fund to the Emergency Transportation fund (a trust and agency fund) to repay a loan as proposed road and bridge projects were halted and the funds were not expended.
- \$200,000 was transferred from the Highway Cash Fund to the Emergency Transportation fund (a trust and agency fund) to repay a loan to the Oklahoma Department of Commerce.
- \$14,257 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.
- \$2,265 was transferred from the Sheriff Consolidated Special fund to the Sheriff Service Fee fund to close out the Sheriff Consolidated Special fund and establish a uniform system of bookkeeping in accordance with 74 O.S. § 214.

SUPPLEMENTARY INFORMATION

OKMULGEE COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—
BUDGETARY BASIS—GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	General Fund		
	Budget	Actual	Variance
District Attorney - County	\$ 10,165	\$ 8,512	\$ 1,653
County Sheriff	153,100	152,550	550
County Treasurer	156,637	149,011	7,626
County Commissioners	189,600	185,047	4,553
O.S.U. Extension	91,797	87,911	3,886
County Clerk	209,217	208,391	826
Court Clerk	127,661	115,420	12,241
County Assessor	105,120	103,199	1,921
Revaluation of Real Property	311,733	303,000	8,733
General Government	1,658,247	992,000	666,247
Excise - Equalization Board	3,690	2,104	1,586
County Election Board	106,765	103,255	3,510
County Purchasing Agent	32,974	32,588	386
Charity	2,000	1,000	1,000
Highway Budget Account	45,699	35,170	10,529
County Audit Budget Account	56,139	32,575	23,564
Free Fair Budget Account	30,001	30,000	1
Provision for Interest on Warrants	5,000	1,789	3,211
Total Expenditures, Budgetary Basis	<u>\$ 3,295,545</u>	<u>\$ 2,543,522</u>	<u>\$ 752,023</u>

OKMULGEE COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—
BUDGETARY BASIS—HEALTH FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Health Fund		
	Budget	Actual	Variance
Health and Welfare	\$ 1,292,558	\$ 458,852	\$ 833,706
Total Expenditures, Budgetary Basis	\$ 1,292,558	\$ 458,852	\$ 833,706

**OKMULGEE COUNTY, OKLAHOMA
NOTE TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

1. Budgetary Schedules

The Comparative Schedules of Expenditures—Budget and Actual—Budgetary Basis for the General Fund and the County Health Fund presents 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, 2020, 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, 2020, 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.

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

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

deficiencies described in the accompanying schedule of findings and responses to be material weaknesses: 2020-001, 2020-002, 2020-004, 2020-006, 2020-007, and 2020-0011.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses to be a significant deficiency: 2020-008.

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 2020-007.

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
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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 2020-001 - Lack of County-Wide Controls and Disaster Recovery Plans (Repeat Finding - 2015-001, 2016-001, 2017-001, 2018-001, 2019-001)

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

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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 January 3, 2023. I will work with other elected officials to design and implement a system of written county-wide procedures to 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 am going to ask the County Clerk for a copy of the Disaster Recovery Plan she has for her office so I have an example. Then, I will change what needs to be changed regarding the needs of this office. Also, I will communicate with the other elected officials to implement the necessary written county-wide procedures to identify and address risks related to financial reporting to make sure that information is communicated effectively to assess the quality of performance over time.

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.

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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 2020-002 - 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)

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 overstated by \$176,638.
- Disbursements were overstated by \$562,335.
- Beginning fund balance was overstated by \$186,538.
- Ending fund balance was overstated by \$297,915.

Additionally, transfers in and transfers out were understated by \$178,398 and \$675,470, respectively.

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These misstatements were largely due to the County accounting for trust and agency revenues and expenditures in county funds, not carrying corrections from the fiscal year 2019 financial statement to the fiscal year 2020 financial statement, issuing purchase orders between funds, and misclassifying true transfers.

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

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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.

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

Condition: Upon inquiry of the County Treasurer's staff and 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.

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- 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, 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.

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.

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 bookkeeping duties are not left undone when an employee is out of the office.

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

Segregation of Duties

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

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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 2020-006 - 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)

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 January 2023 and we will continue to 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.

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

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.
- The County expended \$243,852 in County sales tax funds without following proper expenditure procedures as outlined in 19 O.S. § 1505.
 - \$243,852 in sales tax collections were paid to the Okmulgee County Building Authority without issuing a purchase order and warrant. An employee of the Treasurer's office would withdraw the money from the County's General Bank Account and deposit it into the Government Building Authority Sales Tax Proceeds Bank Account.
- 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 eighteen (18) treasurer checks totaling \$163,734 from the Resale Property fund.
- The County Clerk's signature stamp is utilized by other County Clerk employees to endorse vendor warrants.

A sample of sixty-two (62) expenditures reflected the following:

- Two (2) expenditures from the County Building Authority Sales Tax Proceeds fund totaling \$345,585 were not expenditures of the County. In August 2019, the County Treasurer closed the Governmental Building Authority Sales Tax Proceeds Bank Account that was established under the County's EIN. Prior to closing the account, the County Treasurer transferred the balance of \$345,585 to the County's General Bank Account and then issued two (2) warrants from the General Bank account totaling \$345,585 back to the Governmental Building Authority.
- Five (5) expenditures totaling \$148,543 were not encumbered prior to receiving goods or services.
- One (1) expenditure totaling \$200,000 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.

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Additionally, the County issued nineteen (19) purchase orders and warrants totaling \$106,989 between county funds. The purchase orders and warrants were issued to reimburse one county fund for another county fund's actual expenditures, transfers from one county fund to another, or correct apportionment errors.

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.
- Resale Property funds are expended in accordance with 68 O.S. § 3137.
- Expenditures are made from the proper fund and supported by adequate documentation.
- Expenditures are a true expense of the County.
- 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 disbursements 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, a more thorough review of transactions by the Board of County Commissioners (BOCC) prior to approval, working with the other elected officials and department heads to ensure all expenditures are true expenditures of the County, purchase orders are encumbered prior to the ordering of goods or services, and purchase orders and warrants are not issued between funds.

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District 3 County Commissioner: I took office January 3, 2023, and upon being made aware of these issues I plan to get with the head of the necessary departments and have the necessary standard operating procedures developed and implemented.

County Clerk: I did not take office until April 2022. The purchasing agent now longer prints warrants or takes them to the Treasurer. 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 and are supported by adequate documentation, 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; funds are encumbered prior to the receipt of goods and/or services and signature stamp is safeguarded from unauthorized use and are only used by the official to whom it belongs.

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 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

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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 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 2020-008 - Lack of Internal Control Over Sales Tax Apportionments (Repeat Finding - 2019-012)

Condition: Upon inquiry, observation, and review of the County Treasurer's sales tax collection and apportionment processes, the following was noted:

- The apportionment calculations used by the County Treasurer in fiscal year 2020 were incorrect resulting in:
 - The County Treasurer apportioning a total of \$18,693 more than required by the November 9, 2009 permanent, one-fourth of one percent (0.25%) sales tax ballot and the March 4,

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- 2014 permanent, one-fourth of one percent (0.25%) sales tax ballot to the County Building Authority Sales Tax Proceeds fund.
- The County Treasurer apportioning a total of \$18,693 more than required by the December 14, 2010 unlimited life, one-half of one percent (0.50%) sales tax ballot to the Half Cent Road Tax fund.
 - The County Treasurer apportioning a total of \$9,346 more than required by the December 14, 2010 unlimited life, one-fourth of one percent (0.25%) sales tax ballot to the Sheriff's 1/4 Cent Sales Tax fund.
 - The County Treasurer apportioning a total of \$46,732 less than required by the April 3, 2018 unlimited life, one third hundredths of one percent (.00333%) sales tax ballot to the Fire Department Sales Tax fund.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure sales tax collections are apportioned in accordance with the sales tax ballots that govern them and are reviewed and approved for accuracy by someone other than the preparer.

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

Recommendation: OSAI recommends management be aware of these conditions and realize that concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective controls lie in management's overseeing of office operations and a periodic review of operations. OSAI recommends procedures be designed and implemented to review the calculation of the sales tax apportionment and appropriation to ensure collections are distributed in accordance with the sales tax ballot.

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: The error in calculations has been fixed in July 2020 and the BOCC is working with the District Attorney's office to determine the best way to correct the apportionment errors from fiscal years 2019 and 2020.

District 3 County Commissioner: I took office January 3, 2023. I plan to get with the head of the necessary departments and develop a schedule of either the reimbursement of the amount overpaid or payment due to owed account.

County Treasurer: Procedures have been designed and implemented to ensure sales tax collections are apportioned in accordance with the sales tax ballots that govern them and are reviewed and approved for accuracy by someone other than the preparer. The error was found to be due to the rounding factor used. Originally the calculation was only carried out to two places after the decimal and needed to be carried out six to get to 100% total collections. The error has been corrected for the fiscal year 2020-2021. The County Treasurer and the Chairman of the Board of County Commissioners is still waiting on the advice of our

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District Attorney on how to proceed with a plan of action to address the shortfall of the previous years (FY 2018-2019 & FY 2019-2020) collections. The Rural Fire Departments were advised by the Board of County Commissioners and the District Attorney that they must have a Fire Board in place and request made for repayment of the sales tax proceeds that the miscalculations were based upon.

Auditor Response: Errors occurred because calculated percentages were rounded to a whole number.

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

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.

Additionally, Principle 13 - Use Quality Information – 13.05 states in part:

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.

Finding 2020-011 - 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)

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.

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- 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 Commissioners' signature stamps are under the physical control of the Board of County Commissioner's secretary in the courthouse. The BOCC's secretary utilizes the BOCC Chairman's signature stamp to endorse payroll warrants.
 - 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 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:

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: Safes have been purchased for securing signature stamps for Commissioners.

District 3 County Commissioner: I took office January 3, 2023, and upon being made aware of these issues I plan to get with the head of the necessary departments and have the necessary standard operating procedures developed and implemented. Additionally, we currently have all commissioner stamps locked in individual private safes.

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

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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.

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.

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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 2020-009 - Lack of Internal Controls Over Collection, Disbursements and Reporting and Reconciliation Processes – Court Clerk

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 registered 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 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.

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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, slowly, to check each other's work and verify amounts. We are trying to make sure that more than one person is involved in certain tasks. My First Deputy is learning duties in the Court Fund.

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.

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Finding 2020-010 - Lack of Controls and Noncompliance Over Fixed Assets Inventory

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

- The following offices do not file an inventory list with the County Clerk:
 - Court Clerk
 - County Treasurer
 - County Sheriff
 - County Assessor
- An annual physical inventory count of fixed assets is not being performed in the following offices:
 - County Commissioner District 1
 - County Commissioner District 2
 - County Commissioner District 3
 - County Clerk
 - Court Clerk
 - County Treasurer
 - County Assessor
 - County Sheriff
 - Emergency Management - BOCC
 - Health Department
 - Election Board

Additionally, in fiscal year 2019, a new County sales tax was passed for the purpose of operations, equipment purchases, and capital outlay for the fire departments located in Okmulgee County. An inventory of any equipment purchased with County sales tax should be maintained and filed with the County Clerk. Additionally, a physical count of all equipment should be performed annually. During testwork, it was noted that the following fire departments within Okmulgee County are being paid sales tax money, but are not providing annual inventory records to the County Clerk's office:

Beggs, Beggs Rural, Dewar, Grayson, Henryetta, Liberty, Morris, Mounds, Nuyaka, Okmulgee, Plainview, Preston, Schuler, Twin Hills, and 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.

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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 January 3, 2023, and upon being made aware of this issue I plan to make sure I file an up-to-date inventory with the county clerk and do annual physical inventory of fixed assets.

County Clerk: I did not take office until April 2022, but I will implement a system of internal controls over fixed assets to comply with state statutes.

Court Clerk: This has been and continues to be a long process, due to the past lists being on file and the amount of clean up that is involved to get a correct list, but we are slowly working to get a correct and complete inventory list.

County Treasurer: The original office inventory is kept in the Treasurer's office and a copy of inventory is on file in the County Clerk's office. It will be updated annually and filed with the County Clerk.

County Assessor: I have created a spreadsheet that list all this office's fixed assets and have now filed a copy with the Office of the County Clerk. I had a member of my staff perform a physical inspection to double check the information listed on the inventory sheet to ensure its accuracy. A signed and dated copy of this physical count has been filed with the Office of the County Clerk. I will continue to review this inventory list yearly, have a different member of my staff to perform a physical inspection to check the accuracy of this information, and file a signed copy with the Office of the County Clerk.

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.

Election Board Secretary: I will ensure that the inventory list filed with the Okmulgee County Clerk's office, documents when the last physical inventory count was performed and who it was performed by.

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Criteria: GAO Standards – Section 2 – Establishing an Effective Internal Control System – OV2.23 states in part:

Objectives of an Entity – Compliance Objectives

Management conducts activities in accordance with applicable laws and regulations. As part of specifying compliance objectives, the entity determines which laws and regulations apply to the entity. Management is expected to set objectives that incorporate these requirements.

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.

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Finding 2020-015 - Lack of Internal Controls Over Official Depository Collections – County Treasurer

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.

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

Effect of Condition: This condition 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.

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

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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.



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