



OKMULGEE COUNTY

Financial Audit

For the fiscal year ended June 30, 2015

Cindy Byrd, CPA
State Auditor & Inspector

**OKMULGEE COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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Cindy Byrd, CPA | State Auditor & Inspector

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

June 26, 2019

TO THE CITIZENS OF
OKMULGEE COUNTY, OKLAHOMA

Transmitted herewith is the audit of Okmulgee County, Oklahoma for the fiscal year ended June 30, 2015. The audit was conducted in accordance with 19 O.S. § 171.

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

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

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

Sincerely,

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

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



**OKMULGEE COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Board of County Commissioners

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

County Assessor

Lisa Smart

County Clerk

Becky Thomas

County Sheriff

Eddy Rice

County Treasurer

Vonna Lampkins

Court Clerk

Linda Beaver

District Attorney

O.R. Barris III

**OKMULGEE COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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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 combined 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, 2015, 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, 2015, or changes in financial position for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash balances for all county funds of Okmulgee County, for the year ended June 30, 2015, in accordance with the basis of accounting described in Note 1.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the combined total of all county funds on the financial statement. The other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and are not a required part of the financial statement.

The other supplementary information is the responsibility of management and was derived from and related 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 other supplementary information is fairly stated, in all material respects, in relation to the financial statement.

Okmulgee County has not presented the budgetary comparison information for the Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—General Fund. Although not a part of the financial statement, such information is an integral part of the regulatory presentation for county government.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2019, on our consideration of Okmulgee County’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters.

The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Okmulgee County's internal control over financial reporting and compliance.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

June 26, 2019

REGULATORY BASIS FINANCIAL STATEMENT

OKMULGEE COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS
(WITH COMBINING INFORMATION)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Beginning Cash Balances July 1, 2014	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2015
Combining Information:						
County General Fund	\$ 1,047,521	\$ 2,275,379	\$ 2	\$ -	\$ 2,256,383	\$ 1,066,519
Highway Cash Fund	560,345	2,556,752	-	-	2,388,883	728,214
Highway TCR Fund	748,693	530,737	-	-	609,511	669,919
CBRIF-103	21	-	-	-	-	21
Half Cent Road Tax	177,258	1,348,766	-	-	1,369,205	156,819
County Health	408,968	569,366	-	-	328,174	650,160
Resale Property	793,516	360,795	71,689	-	326,165	899,835
CBRIF-105	2,083,956	735,541	-	-	1,236,282	1,583,215
County Use Tax	574,223	176,027	-	-	223,452	526,798
County Clerk Preservation Fee	63,352	52,418	-	-	35,455	80,315
Sheriff Service Fee	71,510	162,510	-	-	161,181	72,839
Sherriff 1/4 Cent Sales Tax	58,432	678,880	-	-	679,258	58,054
County Building Authority Sales Tax Proceeds	115	1,348,529	-	-	1,348,529	115
Anna McBride M.H. CT Grant	86,675	79,804	-	-	76,762	89,717
Family Treatment Court	21,154	42,743	-	-	35,637	28,260
Emergency Management	9,474	29,908	-	-	28,887	10,495
County Clerk Lien Fee	14,225	48,278	-	-	22,067	40,436
Drug Court	62,628	182,234	-	-	169,984	74,878
County Treasurer Certification Fee	11,576	5,032	-	-	1,094	15,514
Sheriff DOC Cash	845	-	-	-	635	210
County Sinking	8,752	23	-	-	-	8,775
Assessor Visual Inspection	9,663	26	-	-	-	9,689
Trash Cops Fund	8,183	-	-	-	-	8,183
Sheriff Training Fund	30	-	-	-	-	30
Sheriff Domestic Violence	422	-	-	-	-	422
Sheriff Substance Abuse Grant	81	-	-	-	-	81
DARE	3	345	-	-	300	48
Sheriff Police School	831	-	-	-	-	831
Anti Gang	151	-	-	-	-	151
Sheriff COPS Program	118	-	-	-	-	118
Sheriff Commissary	21	-	-	-	-	21
Sheriff Reserve Account	685	-	-	-	-	685
Sheriff Grant	77	-	-	-	-	77
Assessor Revolving Fund	7,435	4,350	-	-	2,106	9,679
Community Development Block Grant-Rural Water District 7	-	9,084	-	-	7,000	2,084
Community Development Block Grant-Rural Water District 9	-	4,849	-	-	4,849	-
Emergency 911	176,289	491,536	-	-	507,764	160,061
District Attorney JAG ARRA 2010	66	-	-	-	-	66
Court Clerk Payroll	-	213,287	-	-	213,287	-
Industrial Development Sinking Fund	34,248	92	-	-	-	34,340
Criminal Justice Authority	2,500	-	-	-	-	2,500
Combined Total - All County Funds, as Restated	\$ 7,044,042	\$ 11,907,291	\$ 71,691	\$ -	\$ 12,032,850	\$ 6,990,174

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, 2015**

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 as combining information 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 revenues from imposed fuel taxes, FEMA reimbursements, interest, and miscellaneous reimbursements. Disbursements are for maintenance, material, and equipment for county roads and highways.

CBRIF-103 – accounts for revenues from interest earned and Oklahoma Department of Transportation (ODOT) disbursements to counties and disbursements are for road projects.

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

**OKMULGEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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 the collection of interest and penalties on delinquent taxes and disposition of collections as restricted by statute.

CBRIF-105 – 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 Fee – 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 collection and disbursement of sheriff process service fees as restricted by statute.

Sheriff ¼ Cent Sales Tax – accounts for revenues from special sales tax and disbursements are for lawful operations of the County 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 M. H. CT Grant – accounts for revenues from state contractual payments 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 revenues from state contractual payments 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 matching grants, and miscellaneous fees. Disbursements are for personal services and maintenance and 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.

**OKMULGEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

Sheriff DOC Cash – accounts for revenues from state for the reimbursements of juvenile transports and disbursements are for maintenance and operation.

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 County 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.

Sheriff Training Fund – accounts for the collection of miscellaneous revenue and unclaimed inmate monies and disbursements are for the training of County Sheriff deputies.

Sheriff Domestic Violence – accounts for federal grant revenues and disbursements are for domestic violence programs.

Sheriff Substance Abuse Grant – accounts for federal grant revenues and disbursements are for substance abuse programs.

DARE – accounts for revenues from donations and disbursements are for program operations.

Sheriff Police School – accounts for state grant revenues and disbursements are for training.

Anti Gang – accounts for state grant revenues and disbursements are for program operations.

Sheriff COPS Program – accounts for state grant revenues and disbursements are for personal services.

Sheriff Commissary – accounts for collections from the sale of commissary items to inmates. and disbursements to purchase commissary goods from the vendor. Excess funds are used for maintenance and operations of the Sheriff's department.

Sheriff Reserve Account – accounts for revenues from donations and disbursements are for equipment and for reserve program.

Sheriff Grant – accounts for revenues from a city business grant and disbursements are for equipment needed in the County Sheriff's office.

**OKMULGEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

Community Development Block Grant-Rural Water District 7 – accounts for collections and disbursements of federal Community Development Block Grant monies used for rural water improvements in Rural Water District 7.

Community Development Block Grant-Rural Water District 9 – accounts for collections and disbursements of federal Community Development Block Grant monies used for rural water improvements in Rural Water District 9.

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

District Attorney JAG ARRA 2010 – accounts for federal grant money to be used by the County Sheriff for Justice Assistance Grant program as restricted by the grant requirements.

Court Clerk Payroll – 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.

Criminal Justice Authority – accounts for Rural Economic Action Plan (REAP) grant money received from the state and disbursed as restricted by the grant requirements.

C. Basis of Accounting

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

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

**OKMULGEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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.

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."

**OKMULGEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

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

3. Other Information

A. Pension Plan

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

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

B. Other Post Employment Benefits (OPEB)

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

C. Contingent Liabilities

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

**OKMULGEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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.

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 benefit of the Okmulgee County Road System. These funds are accounted for in a cash fund as reported on the County's financial statements as Half Cent 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 a cash fund as reported on the County's financial statements as Sheriff's ¼ Cent Sales Tax fund.

E. Tax Abatements

The County is subject to ad valorem tax abatements granted by the State of Oklahoma in accordance with the Oklahoma Constitution, Article 10 Section 6B for qualifying manufacturing concern—ad valorem tax exemption.

Under this program, a five-year ad valorem tax exemption exempts all real and personal property that is necessary for the manufacturing of a product and facilities engaged in research and development which meet the requirements set by the Oklahoma Constitution and statutes. Under Title 68 O.S. § 2902, in exchange for the five-year exemption, qualifying manufacturing concerns

**OKMULGEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

must meet certain minimum investment requirements for construction, acquisition, or expansion of a manufacturing facility. In addition, there are general minimum payroll requirements that must be met and the qualifying manufacturing concern must offer basic health benefit plans to all full-time employees within 180 days of employment.

The County had \$14,317 of ad valorem taxes abated under this program for the fiscal year ended June 30, 2015.

The State has an Ad Valorem Reimbursement Fund in accordance with Title 62 O.S. § 193 that is used to reimburse the County for the loss of revenue. Monies apportioned to this fund by the State also may be transferred to other state funds or otherwise expended as directed by the Legislature. In the event monies apportioned to the Fund are insufficient to pay all claims for reimbursement, claims for reimbursement for loss of revenue due to manufacturing exemptions of ad valorem taxes shall be paid first, and any remaining funds shall be distributed proportionally among the counties making claims for reimbursement for loss of revenue for school district exemptions.

F. Interfund Transfers

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

- \$71,689 was transferred from the Excess Resale fund, a trust and agency fund, to the Resale Property fund in accordance with 68 O.S. § 3131C.
- \$2 was transferred to General Fund to correct a fiscal year 2013 warrant that was cancelled by state statute.

G. Restatement of Fund Balance

During the fiscal year, the County had a reclassification of funds. County Building Authority Sales Tax Proceeds, Emergency 911, District Attorney JAG ARRA 2010, Industrial Development Sinking Fund, and Criminal Justice Authority were reclassified as a county funds as they represent the collection and disbursement of County revenues including county sales tax proceeds, federal and state grant monies, and interest on the General Bank Account. Court Clerk Revolving and Child Abuse Prevention were reclassified as trust and agency funds as these funds are under the direction of the Court Clerk and District Attorney respectively.

Additionally, the disbursement, as reported, for the County Use Tax fund at June 30, 2014 was overstated \$20.00, which resulted in the ending balance being understated \$20.00.

Prior year ending balance, as reported	\$6,919,968
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Funds reclassified to County Funds:

County Building Authority Sales Tax Proceeds reclassified from a Trust and Agency Fund to a County Fund	115
Emergency 911 reclassified from a Trust and Agency Fund to a	

OKMULGEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

County Fund	176,289
District Attorney JAG ARRA 2010 from a Trust and Agency Fund to a County Fund	66
Industrial Development Sinking Fund from a Trust and Agency to a County Fund	34,248
Criminal Justice Authority from a Trust and Agency Fund to a County Fund	2,500
Funds reclassified as Trust and Agency Funds:	
Court Clerk Revolving reclassified from a County Fund to a Trust and Agency fund	(89,042)
Child Abuse Prevention reclassified from a County Fund to a Trust and Agency fund	(122)
Error in reporting of prior year ending balances:	
County Use Tax disbursements were overstated resulting in the ending balance being understated	<u>20</u>
Prior year ending balance, as restated	<u>\$7,044,042</u>

OTHER SUPPLEMENTARY INFORMATION

OKMULGEE COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
COUNTY HEALTH DEPARTMENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 408,968	\$ 408,968	\$ -
Less: Prior Year Outstanding Warrants	(21,361)	(21,361)	-
Less: Prior Year Encumbrances	(598)	(598)	-
Beginning Cash Balances, Budgetary Basis	<u>387,009</u>	<u>387,009</u>	<u>-</u>
Receipts:			
Ad Valorem Taxes	302,465	331,060	28,595
Charges for Services	235,601	235,601	-
Intergovernmental Revenues	-	1,323	1,323
Miscellaneous Revenues	-	1,382	1,382
Total Receipts, Budgetary Basis	<u>538,066</u>	<u>569,366</u>	<u>31,300</u>
Expenditures:			
County Health Budget Account	<u>925,075</u>	<u>401,080</u>	<u>523,995</u>
Total Expenditures, Budgetary Basis	<u>925,075</u>	<u>401,080</u>	<u>523,995</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>555,295</u>	<u>\$ 555,295</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		1,054	
Add: Current Year Encumbrances		17,596	
Add: Current Year Outstanding Warrants		<u>76,215</u>	
Ending Cash Balance		<u>\$ 650,160</u>	

OKMULGEE COUNTY, OKLAHOMA
NOTE TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

1. Budgetary Schedules

The Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis for the County Health Department 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 (with Combining Information) because of adopting certain aspects of the budgetary basis of accounting and the adjusting of encumbrances and outstanding warrants to their related budget year.

The Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis for the General Fund has not been presented. Therefore, the legally adopted budget cannot be compared with actual data for the General Fund. The Comparative Schedules of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis for the General Fund present comparisons of the legally adopted budget with actual data. The "actual" data, as presented in the comparison of budget and actual, will differ from the data as presented in the Statement of Receipts, Disbursements, and Changes in Cash Balances (with Combining Information) because of adopting certain aspects of the budgetary basis of accounting and the adjusting of encumbrances and outstanding warrants to their related budget year.

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

INTERNAL CONTROL AND COMPLIANCE SECTION

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

TO THE OFFICERS OF
OKMULGEE COUNTY, OKLAHOMA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined total—all funds of the accompanying Statement of Receipts, Disbursements, and Changes in Cash Balances (with Combining Information) of Okmulgee County, Oklahoma, as of and for the year ended June 30, 2015, and the related notes to the financial statement, which collectively comprises 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 26, 2019.

Our report included an adverse opinion on the financial statement because the statement is prepared using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County for the year ended June 30, 2015, 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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of 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 questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.



A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses: 2015-001, 2015-008, 2015-009, 2015-011, 2015-012.

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 significant deficiencies: 2015-002.

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 items 2015-011.

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 are 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 the response.

Purpose of this Report

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

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

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 26, 2019

**OKMULGEE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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 2015-001 - Inadequate County-Wide Controls and Lack of Disaster Recovery Plans

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

Additionally, the Board of County Commissioners (BOCC) has not designed a County-Wide Disaster Recovery Plan and the County Assessor, County Sheriff, and County Commissioners' Districts do not have Disaster Recovery plans for their offices.

Cause of Condition: Policies and procedures have not been designed and implemented to address County-wide controls or ensure all officials have prepared a formal Disaster Recovery Plan.

Effect of Condition: These conditions 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.

Recommendation: The Oklahoma State Auditor and Inspector's Office (OSAI) recommends that the County design and implement procedures to identify and address risks. OSAI also recommends that the County design 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 the BOCC prepare a formal County-Wide Disaster Recovery plan and all officials have a formal Disaster Recovery Plan for their individual offices in order to maintain operations in the event of a disaster.

Management Response:

District 1 County Commissioner: I will work with the other County Officials to implement quarterly meetings to discuss and assess risks and with the other County Commissioners to prepare Disaster Recovery Plans.

District 2 County Commissioner: Okmulgee County Budget Board will be more involved as a group to create a county-wide control system. In addition, we will implement a county-wide Disaster Recovery Plan and ensure that each elected official implement a plan as well.

District 3 County Commissioner: County Commissioners, along with other office heads, will be working with our emergency management director to design and implement a County-Wide Disaster Recovery Plan.

**OKMULGEE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Additionally, we will work to create and implement county-wide controls regarding Control Environment, Risk Assessment, Information and Communication, And Monitoring.

County Clerk: Okmulgee County Budget Board will be more involved as a group to create a county-wide control system. In addition, we will implement a county-wide Disaster Recovery Plan and ensure that each elected official implement a plan as well.

County Treasurer: I will work with the other elected Officials to implement a formal County-Wide Disaster Recovery Plan. Additionally, we will work on designing and implementing procedures over County-Wide controls to identify and address risks regarding Control Environment, Risk Assessment, Information and Communication, and Monitoring.

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 was not in Office at this time and had no knowledge of needing a Disaster Recovery Plan. Our plan for the future is to work with the County Commissioners and other County Officers to establish new policies and procedures for County-Wide controls.

Court Clerk: While I was not in office at this time, I will discuss these issues with the proper officials and work with them to put a county-wide control plan in place.

Criteria: Internal control is an integral component of an organization's management that provides reasonable assurance that the objectives of effectiveness and efficiency of operations, reliability of financial reporting and compliance with laws and regulations are being met. Internal control comprises the plans, methods, and procedures used to meet missions, goals, and objectives. Internal control also serves as the first line of defense in safeguarding assets and preventing and detecting errors and fraud. County management is responsible for designing a county-wide internal control system comprised of Control Environment, Information and Communication, Risk Assessment, and Monitoring for the achievement of these goals.

The control environment is the foundation for all other components of internal control. When management believes that internal controls are important to meeting its goals and objectives and communicates this belief to its employees at all levels, internal controls are more likely to be functioning well. However, if management views internal controls as unrelated to achieving its goals and objectives, or even as an obstacle, it is almost a certainty that this attitude will be held by all employees, despite official statements or policies to the contrary. This understanding by management of the importance of internal controls and the communication of this importance to its employees are key elements of the control environment.

Risk Assessment is a component of internal control which should provide for an assessment of the risks the County faces from both internal and external sources. Once risks have been identified, they should be analyzed for their possible effect. Management then must formulate an approach for risk management and decide upon the internal control activities required to mitigate those risks and achieve the internal control

**OKMULGEE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

objectives of efficient and effective operations, reliable financial reporting, and compliance with laws and regulations.

Information and Communication are vital components for an entity to achieve its objectives using quality information to support the internal control system. Such quality information should be comprised of the information received from and the control structures surrounding both IT and manual systems for financial reporting purposes. Further, the entity should effectively communicate financial reporting roles and responsibilities concerning all financial reporting matters.

Monitoring is a component of internal control which should assess the quality of performance over time and ensure that the findings of audits and other reviews are promptly resolved. Ongoing monitoring occurs during normal operations and includes regular management and supervisory activities, comparisons, reconciliations, and other actions people take in performing their duties. It includes ensuring that management knows their responsibilities for internal control and the need to make control monitoring part of their regular operating process.

According to the standards of the Information Systems Audit and Control Association (CobiT, Deliver 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 2015-002 - Inadequate Internal Controls Over Financial Statements

Condition: During the review of the County's financial statements, the following was noted:

The County's financial statements did not account for \$213,287 in County payroll expenditures for Court Clerk employees that were paid from the Court Fund via Court Fund claim and voucher. Additionally, since the County is to be reimbursed for these payroll expenses from the Court Clerk, the County's financial statements did not account for \$213,287 in revenues.

Therefore, apportionment and disbursements recorded on the County's financial statements were each understated \$213,287.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure funds are properly classified on the financial statements and cash receipts and disbursements are accurately reported on the financial statement.

Effect of Condition: This condition resulted in inaccurate financial statements.

Recommendation: OSAI recommends the County design and implement procedures to ensure all revenues and expenditures of the County are accurately reported.

**OKMULGEE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Management Response:

Chairman of the Board of County Commissioners: The County Clerk's office and the Treasurer's office have implemented procedures which have corrected the above issues with Court Clerk payroll.

County Clerk: We have implemented procedures which have corrected the issues with Court Clerk payroll.

County Treasurer: A Court Fund Payroll fund has been established, which will alleviate this issue in the future.

Court Clerk: I was not in Office at this time, however, this issue has been corrected.

Criteria: Effective internal controls are essential to provide reasonable assurance about the achievement of the entity's objectives with regard to reliability of financial reporting, and compliance with applicable laws and regulations. An effective internal control system has in place policies and procedures that reduce the risk of errors and fraud within an organization.

The County's management is responsible for establishing internal control procedures to prevent or detect misstatements in a timely manner. 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.

Finding 2015-008 - Inadequate Internal Controls Over the Reconciliation of the Appropriation Ledger to General Ledger

Condition: The County Clerk does not reconcile the appropriation ledger to the County Treasurer's general ledger.

Cause of Condition: Policies and procedures have not been designed and implemented regarding a monthly reconciliation of the County Clerk's appropriation ledger to the County Treasurer's general ledger.

Effect of Condition: This condition could result in unrecorded transactions, misstated financial reports, undetected errors, misappropriation of assets, or clerical errors that are not detected in a timely manner.

Recommendation: OSAI recommends that the County Clerk's appropriation ledger be reconciled monthly to the County Treasurer's general ledger. The reconciliation should be reviewed and approved by someone other than the preparer. Additionally, all documentation to support the performance and the review and approval of the reconciliation should be retained.

Management Response:

County Clerk: The County Clerk's office and the Treasurer's office are now balancing the appropriation ledger every month to ensure accuracy.

**OKMULGEE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

County Treasurer: This office has been working 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: Safeguarding controls are an important aspect of internal controls. Safeguarding controls relate to the prevention or timely detection of unauthorized transactions and unauthorized access to assets. Failure to perform tasks that are part of internal controls, such as reconciliations not prepared or not timely prepared, are deficiencies in internal control. To help ensure a proper accounting of funds, all reconciliations should be documented and approved by someone other than the preparer.

Finding 2015-009 - Inadequate Controls Over County Treasurer Operations – Cash Balances

Condition: Upon inquiry of the County Treasurer's staff and observation of records, we determined that there are inadequate internal controls within the office of the County Treasurer as follows:

- One person is responsible for posting to the General Ledger, reconciling the General Ledger to the daily reports, preparing and signing the monthly reports, performing banks reconciliations, and reconciling to the County Clerk.
- Eleven (11) of the twelve (12) monthly reports reviewed did not contain an indication of being reviewed and approved by someone other than the preparer.
- The bank reconciliations for the General, Official Depository, EFTPS, DA Credit Card and Court Clerk CC Payments bank accounts were not always reviewed and approved by someone other than the preparer.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure the accuracy of cash balances.

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.

Criteria: Internal controls should be designated to analyze and check accuracy, completeness, and authorization of disbursement calculations and/or transactions. To help ensure a proper accounting of funds the duties of posting and updating the general ledger and monthly reports should be segregated from the preparation of the bank reconciliations. Additionally, the monthly reports and the bank reconciliations

**OKMULGEE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

should be reviewed and approved by someone other than the preparer and indication of these reviews should be maintained.

Finding 2015-011 - Inadequate Internal Controls and Noncompliance Over Disbursements

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

- The County expended \$1,561,816 in County funds without following proper expenditure procedures as outlined in 19 O.S. § 1505.
 - \$1,348,529 in sales tax collections were paid to the Okmulgee County Building Authority via bank transfers without issuing a purchase order and warrant.
 - \$213,287 in payroll expense for Court Clerk employees were paid via Court Fund Claims and vouchers.

Cause of Condition: Policies and procedures have not been designed and implemented with regard to the disbursement process to strengthen internal controls and ensure compliance with state statutes. Additionally, policies and procedures have not been designed and implemented to ensure the accuracy of disbursement data.

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

Recommendation: OSAI recommends the County adhere to state purchasing guidelines as defined by 19 O.S. § 1505 and design and implement procedures to ensure the accuracy of financial data.

Management Response:

Chairman of the Board of County Commissioners: The County Clerk's office and the Treasurer's office are preparing to separate the County from the Okmulgee County Governmental Building Authority Trust. Beginning July 1, 2019, the sales tax proceeds will be appropriated into the County's sales tax revolving account, a purchase order will be encumbered, and a warrant will be issued to the Okmulgee County Governmental Building Authority Trust. Lastly, the County Clerk's office and Treasurer's office have created a new account for the Court Clerk's payroll in which the Court Clerk deposits funds and funds are appropriated so that payroll can be generated correctly.

County Clerk: The County Clerk's office and the Treasurer's office are preparing to separate the County from the Okmulgee County Governmental Building Authority Trust. Beginning July 1, 2019, the sales tax proceeds will be appropriated into the County's sales tax revolving account, a purchase order will be encumbered, and a warrant will be issued to the Okmulgee County Governmental Building Authority Trust. Lastly, we have created a new account for the Court Clerk's payroll in which the Court Clerk deposits funds and funds are appropriated so that payroll can be generated correctly.

**OKMULGEE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

County Treasurer: Beginning July 1, 2019, the sales tax proceeds will be appropriated into the County's sales tax revolving account, a purchase order will be encumbered, and a warrant will be issued to the Okmulgee County Governmental Building Authority Trust. Lastly, a new Court Clerk payroll fund has been established.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designed to analyze and check accuracy, completeness, and authorization of disbursements and/or transactions. To help ensure a proper accounting of funds data should be reviewed for accuracy.

Effective internal controls require that management implement procedures to ensure that expenditures are made in compliance with 19 O.S. § 1505.

Finding 2015-012 - Segregation of Duties Over Payroll Process

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

- One employee enrolls new hires; inputs payroll information into the system; calculates withholdings and prepares withholding reports; distributes payroll warrants; maintains warrant registers; removes terminated employees from payroll system; and maintains personnel files.

Cause of Condition: Policies and procedures have not been designed and implemented with regard to segregation of duties and/or compensating controls of the payroll process.

Effect of Condition: These conditions could result in unrecorded transactions, misstated financial records, undetected errors, and 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.

The following key accounting functions of the payroll process should be adequately segregated:

- Enrolling new employees and maintaining personnel files and terminating employees.
- Reviewing time records and preparing payroll.

Management Response:

County Clerk: I will be responsible for removing terminated employees from the payroll system effective immediately to ensure an individual cannot be placed within the payroll system and removed without my knowledge. Additionally, I review and certify the payroll affidavit which includes the withholdings.

**OKMULGEE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
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Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designed to analyze and check accuracy, completeness, and authorization of payroll calculations and/or transactions. To help ensure a proper accounting of funds, the duties of processing, authorizing, and payroll distribution should be segregated.

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 2015-005 - Inadequate Internal Controls and Noncompliance Over Estimate of Needs

Condition: During the review of the County’s estimate of needs for the General Fund, the following was noted:

- The County’s actual budgeted revenues and ending cash balances were short \$77,458 to the apportionments and cash balance noted on the County’s financial statement. It appears the budget maker failed to include prior year ad valorem and interest earned on General Fund investments as sources of re-occurring revenue.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure the County’s Estimate of Needs is presented in a manner that can be reconciled to the underlying financial statements and the information presented is accurate and free from error.

Effect of Condition: This condition resulted in noncompliance with state statute and the County approving and operating on a budget that is not a true reflection of the County’s financial condition.

Recommendation: OSAI recommends the County review the Estimate of Needs prior to approval to ensure that financial information is accurately presented. Also, the estimate of needs should be prepared in accordance with 19 O.S. § 1410.

Management Response:

District 1 County Commissioner: I will work with all County Officials and the budget maker to ensure the Estimate of Needs is accurately prepared.

District 2 County Commissioner: The Budget Board will review the Estimate of Needs more thoroughly prior to approval, to ensure that the financial statement information is accurately presented by our budget maker.

District 3 County Commissioner: The Budget Board will work together with the budget maker to correct this issue.

**OKMULGEE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
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County Treasurer: This office will work with the Budget Board to ensure the Estimate of Needs matches the apportioned collections.

County Clerk: We will review the Estimate of Needs prior to approval to ensure that the financial information is accurately presented by our budget maker.

County Assessor: I did not take office until January of 2019; however, I will work with the other elected officials to ensure that this doesn't happen again.

County Sheriff: I will work with all County Officials and the budget maker to ensure the Estimate of Needs is accurately prepared.

Court Clerk: I was not an elected official during this audit period; however, going forward, I will do my part in asking questions to other Budget Board members and the budget maker in an attempt to keep this from happening again.

Criteria: The adopted budget is an expression of public policy and financial intent and is a method of providing controls over that intent.

Title 19 O.S. § 1410 defines the content and format of the budget and states in relevant part "The format shall contain at least the following in tabular form for each fund, itemized by department and account within each fund:

1. Actual revenues and expenditures for the immediate prior fiscal year..."

Title 19 O.S. § 1410(C) further states, "The estimate of revenues in each fund for any budget year shall include probable income by source which the county is legally empowered to collect or receive at the time the budgets are adopted. The estimate shall be based upon a review and analysis of past and anticipated revenues of the county. Any portion of the budget of revenues to be derived from ad valorem property taxation shall not exceed the estimated amount of tax which is available for appropriation, as provided by the county excise board, or which can or must be raised as required by law."

Finding 2015-007 - County Officials' Salaries in Excess of Statutory Limits

Condition: During our review and recalculation of the Okmulgee County Officials' salaries the following was noted:

- On May 29, 2013, the Board of County Commissioners approved a raise for all eight (8) elected officials to go into effect on July 1, 2013.
- The approved raise resulted in the County Officials receiving salary increases in excess of the maximum annual salary allowed by statute
- as noted:

**OKMULGEE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Fiscal Year	Maximum Annual Salary Allowed	Actual Annual Salary Received	Over/(Under) Payment Per Official	Total Overpayment For Year
2013	\$54,300.00	\$52,447.44	(\$1,852.56)	\$ -
2014	\$54,300.00	\$62,500.08	\$8,200.08	\$ 65,600.64
2015	\$54,300.00	\$62,500.08	\$8,200.08	\$ 65,600.64
Total Overpayment as of June 30, 2015				\$131,201.28

- Per a review of the BOCC minutes, the Board of County Commissioners did not formally set the salaries for the elected County Officials from July 1, 2014 through June 30, 2015.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure County Officials' salaries are calculated correctly, are within the amounts allowed by state statute, and are set by the BOCC annually.

Effect of Condition: These conditions resulted in noncompliance with state statutes and collectively, County Officials receiving \$131,201.28 in overpayments as of June 30, 2015.

Recommendation: OSAI recommends that the BOCC set the salaries for County Officials every year by action of the Board in accordance with 19 O.S. §§ 180.74 and 180.75. OSAI also recommends the County design and implement policies and procedures to ensure County Officials' salaries are within the limitations as outlined by 19 O.S. §§ 180.71 – 180.83.

Additionally, OSAI recommends the proper authorities review this finding to determine what action, if any, may be required.

Management Response:

District 1 County Commissioner: I will work with the other elected officials to immediately take action to ensure calculations that determined the County Officials' salaries are correct and reviewed for accuracy, County Officials' salaries are within statutory limitations, and salaries for County Officials are set and approved by the Board of County Commissioners (BOCC) each year. Additionally, I along with the other County Officials will seek the advice of our District Attorney to determine if any further action needs to be taken.

District 2 County Commissioner: I will work with the other elected officials to immediately take action to ensure calculations that determined the County Officials' salaries are correct and reviewed for accuracy, County Officials' salaries are within statutory limitations, and salaries for County Officials are set and approved by the BOCC each year. Additionally, I along with the other County Officials will seek the advice of our District Attorney to determine if any further action needs to be taken.

District 3 County Commissioner: I will work with the other elected officials to immediately take action to ensure calculations that determined the County Officials' salaries are correct and reviewed for accuracy, County Officials' salaries are within statutory limitations, and salaries for County Officials are set and approved by the BOCC each year. Additionally, I along with the other County Officials will seek the advice of our District Attorney to determine if any further action needs to be taken.

**OKMULGEE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

County Clerk: I will work with the other elected officials to immediately take action to ensure calculations that determined the County Officials' salaries are correct and reviewed for accuracy, County Officials' salaries are within statutory limitations, and salaries for County Officials are set and approved by the BOCC each year. Additionally, I along with the other County Officials will seek the advice of our District Attorney to determine if any further action needs to be taken.

County Treasurer: I will work with the other elected officials to immediately take action to ensure calculations that determined the County Officials' salaries are correct and reviewed for accuracy, County Officials' salaries are within statutory limitations, and salaries for County Officials are set and approved by the BOCC each year. Additionally, I along with the other County Officials will seek the advice of our District Attorney to determine if any further action needs to be taken.

County Assessor: Although I did not take office until January 2019, I will work with the other elected officials to immediately take action to ensure calculations that determined the County Officials' salaries are correct and reviewed for accuracy, County Officials' salaries are within statutory limitations, and salaries for County Officials are set and approved by the BOCC each year. I plan on learning more about how to calculate the salaries for the elected officials and working with the other officers to ensure this never happens again. Additionally, I along with the other County Officials will seek the advice of our District Attorney to determine if any further action needs to be taken.

County Sheriff: I will work with the other elected officials to immediately take action to ensure calculations that determined the County Officials' salaries are correct and reviewed for accuracy, County Officials' salaries are within statutory limitations, and salaries for County Officials are set and approved by the BOCC each year. Additionally, I along with the other County Officials will seek the advice of our District Attorney to determine if any further action needs to be taken.

Court Clerk: Although I did not take office until August 2016, I will work with the other elected officials to immediately take action to ensure calculations that determined the County Officials' salaries are correct and reviewed for accuracy, County Officials' salaries are within statutory limitations, and salaries for County Officials are set and approved by the BOCC each year. Additionally, I along with the other County Officials will seek the advice of our District Attorney to determine if any further action needs to be taken.

Criteria: Title 19 O.S. §§ 180.71 – 180.83 provides guidance for the calculation and setting of County Officials' salaries. Specifically, Title 19 O.S. §§ 180.74 and 180.75 defines the formula for the calculation of the minimum and maximum salary allowed for County Officials.

Finding 2015-013 - Inadequate Internal Controls and Noncompliance Over Fixed Assets and Consumable Inventory

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

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Fixed Assets:

- County Commissioner Districts 1, 2, and 3 are not:
 - Filing fixed assets inventory lists with the County Clerk.
 - Retaining documentation to prove when the last physical inventory of fixed assets was performed.

Consumable Inventory:

- District 1:
 - Documentation was not retained to prove when the last physical inventory of consumable inventories was performed.
- District 2:
 - Documentation was not retained to prove when the last physical inventory of consumable inventories was performed.
 - Documentation was not retained to prove fuel usage from the stationary tanks is monitored and reconciled back to fuel usage logs.
 - Fuel usage on mobile tanks is not being tracked.
- District 3:
 - Documentation was not retained to prove fuel usage from the stationary tanks is monitored and reconciled back to fuel usage logs.
 - Fuel usage on mobile tanks is not being tracked.

Cause of Condition: Policies and procedures have not been designed and implemented regarding effective internal controls over safeguarding of fixed assets and consumable inventories 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 and consumable inventories.

Recommendation: OSAI recommends management implement internal controls to ensure compliance with 19 O.S. § 178.1, 19 O.S. § 178.2, 19 O.S. § 1502(A)(1), 19 O.S. § 1502(B)(1), and 19 O.S. § 1504 by:

- Filing fixed asset inventory records with the County Clerk.
- Performing and documenting a periodic inventory of fixed assets.
- Performing and documenting periodic inventory of consumable inventories.
- Maintaining fuel logs on all fuel tanks.
- Performing and documenting reconciliation of fuel on hand to fuel usage.
- Ensuring the functions of performing periodic inventories is segregated from the key functions of receiving duties and inventory control duties.

Management Response:

District 1 County Commissioner: I will ensure an annual physical inventory is performed annually of fixed assets and will retain documentation of the count. Additionally, I will file my fixed asset inventory listing with the County Clerk.

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District 2 County Commissioner: Inventory records have been and will continue to be available in the County Commissioners Office at the Courthouse; however, in the future a copy will be filed with the County Clerk. Additionally, fuel usage logs have been updated with an emphasis on logging procedures and mobile fuel tanks are now logged separately. While consumable items were present at the time of the audit, our inventory procedures will be improved.

District 3 County Commissioner: We will continue to reconcile fuel on a daily basis. Fuel on mobile tanks is now being tracked. Additionally, going forward an annual inventory count will be performed and filed with the County Clerk.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. An important aspect of internal controls is the safeguarding of assets. Internal controls over safeguarding of assets constitute a process, affected by an entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from misappropriation.

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. § 178.2 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.

Title 19 O.S. § 1504 requires the receiving officer to maintain a record of all items received, disbursed, stored and consumed by the department.

Finding 2015-014 – Inadequate Controls and Noncompliance Over Collection, Disbursements and Reporting and Reconciliation Processes – Court Clerk

Condition: Upon inquiry of the Court Clerk employees, observation and test of records, regarding the receipting, disbursement, and reporting and reconciliation processes over the Court Fund and the Court Clerk Revolving Fund the following weaknesses were noted:

Court Fund:

- The individual that balances the cash drawer also prepares the deposit ticket and takes the deposit to the County Treasurer. This person can also perform the monthly reconciliation to the County Treasurer; calculate and review amounts to be disbursed out by voucher; and prepare, sign, and distribute vouchers.

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- All employees can create a voucher. The employee that creates the voucher also signs and distributes the voucher.
- The Court Clerk is relying on the County Treasurer to review the Court Fund reports for accuracy.
- The revenues reported on the fourth quarter Court Fund Quarterly report as collections were \$1,561 short to the collections record by the County Treasurer and noted in the Court Clerk's reconciliation to the County Treasurer for the fourth quarter.

Court Clerk Revolving Fund:

- The Court Clerk Revolving Fund reconciliations performed for fiscal 2015 did not reconcile to the County Treasurer's general ledger balance at June 30, 2015. Additionally, it was noted that the County Treasurer certified the accuracy of the June 30, 2015 reconciliation even though the County Treasurer's general ledger balance was not recorded and no reconciliation to the County Treasurer's balance was performed.
- A sample of five (5) Court Clerk Revolving Fund expenditures tested reflected that three (3) were not properly approved by the Court Clerk and either the District Judge or Associate District Judge:

Claim	Warrant	Purpose	Amount
1241	13	Payroll	\$578.59
1990	14	Payroll	\$782.66
1990	37	State Taxes	\$13.00

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

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

Recommendation: OSAI recommends:

- Key duties in the receipting and disbursing processes be adequately segregated. If duties cannot be adequately segregated, mitigating control and reviews should be implemented.
- Court Clerk Revolving Fund expenditures be approved in accordance with state statute.
- The Court Clerk Revolving Fund be reconciled to the County Treasurer's general ledger quarterly.
- Reports and reconciliations be reviewed and approved for accuracy by someone other than the preparer and documentation of review and approval be retained.
- The County Treasurer ensure all reconciliations presented to her for certification be reviewed prior to signing.

Management Response:

Court Clerk: While I was not in office during the audit time-period, the above issues have been corrected since I have been in Office.

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County Treasurer: The County Treasurer's office will make sure that our ledger agrees to the Court Clerk's reports before we sign them.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls over safeguarding of assets constitute a process, affected by an entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from misappropriation. To help ensure a proper accounting of funds key processes and/or critical functions should be adequately segregated and reports and reconciliation should be reviewed and approved by someone other than the preparer.

Title 19 O.S. § 220 (A) state in part... "Claims against the fund shall include only expenses incurred for the operations of the court clerk's office in each county, and payment may be made after the claim is approved by the court clerk and either the district or associate district judge of the county."



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