



# OKMULGEE COUNTY

## Financial Audit

For the fiscal year ended June 30, 2016

**Cindy Byrd, CPA**  
State Auditor & Inspector

**OKMULGEE COUNTY, OKLAHOMA  
FINANCIAL STATEMENT  
AND INDEPENDENT AUDITOR'S REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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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](http://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, 2016. 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". The signature is fluid and cursive, with the first letters of the first and last names being capitalized.

CINDY BYRD, CPA  
OKLAHOMA STATE AUDITOR & INSPECTOR



**OKMULGEE COUNTY OFFICIALS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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**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, 2016**

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**OKMULGEE COUNTY, OKLAHOMA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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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, 2016, 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, 2016, 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, 2016, 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 accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the remaining supplementary information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statement.

The schedule of expenditures of federal awards and the remaining 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 schedule of expenditures of federal awards and the remaining 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 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.

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

## **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, 2016**

	Beginning Cash Balances July 1, 2017	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2018
Combining Information:						
County General Fund	\$ 1,066,519	\$ 2,324,034	\$ -	\$ -	\$ 2,385,012	\$ 1,005,541
Highway Cash Fund	728,214	2,366,033	-	-	2,529,273	564,974
Highway TCR Fund	669,919	1,536,666	-	-	585,592	1,620,993
CBRIF-103	21	-	-	-	-	21
Half Cent Road Tax	156,819	1,391,359	-	-	1,358,501	189,677
County Health	650,160	562,288	-	-	566,246	646,202
Resale Property	899,835	329,430	127,679	-	362,310	994,634
CBRIF-105	1,583,215	421,634	-	-	751,514	1,253,335
County Use Tax	526,798	192,807	-	-	208,907	510,698
County Clerk Preservation Fee	80,315	50,270	-	-	64,427	66,158
Sheriff Service Fee	72,839	170,427	-	-	151,241	92,025
Sherriff 1/4 Cent Sales Tax	58,054	703,699	-	-	684,160	77,593
County Building Authority Sales Tax Proceeds	115	1,391,224	-	-	1,330,619	60,720
Anna McBride M.H. CT Grant	89,717	59,028	-	-	87,932	60,813
Family Treatment Court	28,260	42,978	-	-	30,363	40,875
Emergency Management	10,495	36,707	-	-	20,232	26,970
County Clerk Lien Fee	40,436	22,959	-	-	18,204	45,191
Drug Court	74,878	184,441	-	-	168,577	90,742
County Treasurer Certification Fee	15,514	4,618	-	-	1,117	19,015
Sheriff DOC Cash	210	-	-	-	-	210
County Sinking	8,775	43	-	-	-	8,818
Assessor Visual Inspection	9,689	23	-	-	1,152	8,560
Trash Cops Fund	8,183	97	-	-	-	8,280
Sheriff Training Fund	30	-	-	-	-	30
Sheriff Domestic Violence	422	-	-	-	-	422
Sheriff Substance Abuse Grant	81	-	-	-	-	81
DARE	48	270	-	-	-	318
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	9,679	1,682	-	-	-	11,361
Community Development Block Grant-Rural Water District 7	2,084	239,908	-	-	241,079	913
Community Development Block Grant-County Fairgrounds	-	138,000	-	-	135,916	2,084
Emergency 911	160,061	471,893	-	-	505,993	125,961
District Attorney JAG ARRA 2010	66	-	-	-	-	66
Court Clerk Payroll	-	221,402	-	-	221,402	-
Industrial Development Sinking Fund	34,340	85	-	-	-	34,425
Criminal Justice Authority	2,500	-	-	-	-	2,500
<b>Combined Total - All County Funds</b>	<b>\$ 6,990,174</b>	<b>\$ 12,864,005</b>	<b>\$ 127,679</b>	<b>\$ -</b>	<b>\$ 12,409,769</b>	<b>\$ 7,572,089</b>

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, 2016**

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**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, 2016**

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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 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 and 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, 2016**

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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 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 receipts and unclaimed inmate monies and disbursements 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, 2016**

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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 Community Development Block Grant monies used for rural water improvements in Rural Water District 7.

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

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, 2016**

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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, 2016**

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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, 2016**

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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, 2016**

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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 \$18,439 of ad valorem taxes abated under this program for the fiscal year ended June 30, 2016.

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 Transfer**

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

- \$127,679 was transferred from the Excess Resale Fund, a trust and agency fund, to the Resale Property Cash Fund in accordance with 68 O.S. § 3131C.

## **OTHER SUPPLEMENTARY INFORMATION**

**OKMULGEE COUNTY, OKLAHOMA**  
**COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND**  
**CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—**  
**GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 1,066,521	\$ 1,066,519	\$ (2)
Less: Prior Year Outstanding Warrants	(155,541)	(155,541)	-
Less: Prior Year Encumbrances	(17,463)	(17,343)	120
Beginning Cash Balances, Budgetary Basis	893,517	893,635	118
Receipts:			
Ad Valorem Taxes	1,527,877	1,668,579	140,702
Charges for Services	100,000	147,732	47,732
Intergovernmental Revenues	365,000	455,305	90,305
Miscellaneous Revenues	29,118	52,418	23,300
Total Receipts, Budgetary Basis	2,021,995	2,324,034	302,039
Expenditures:			
District Attorney - State	12,165	9,685	2,480
County Sheriff	128,981	128,812	169
County Treasurer	105,521	105,019	502
County Commissioners	214,144	210,945	3,199
OSU Extension	56,894	56,847	47
County Clerk	203,192	202,500	692
Court Clerk	131,129	122,348	8,781
County Assessor	110,812	110,278	534
Revaluation of Real Property	290,684	288,369	2,315
General Government	1,411,729	916,239	495,490
Excise-Equalization Board	3,683	2,198	1,485
County Election Board	94,349	90,314	4,035
Purchasing Agent	31,594	31,589	5
Charity	1,000	500	500
Highway Budget Account	46,414	46,153	261
County Audit Budget Account	43,220	27,054	16,166
Free Fair Budget Account	25,001	25,000	1
Provision for Interest on Warrants	5,000	-	5,000
Total Expenditures, Budgetary Basis	2,915,512	2,373,850	541,662

Continued on next page

**OKMULGEE COUNTY, OKLAHOMA**  
**COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND**  
**CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—**  
**GENERAL FUND - CONTINUED**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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	General Fund		
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Continued from previous page			
Excess of Receipts and Beginning Cash			
Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	843,819	<u>\$ 843,819</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		1,416	
Add: Current Year Outstanding Warrants		142,587	
Add: Current Year Encumbrances		<u>17,719</u>	
Ending Cash Balance		<u>\$ 1,005,541</u>	

**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, 2016**

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	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 650,160	\$ 650,160	\$ -
Less: Prior Year Outstanding Warrants	(76,215)	(76,215)	-
Less: Prior Year Encumbrances	(17,596)	(17,596)	-
Beginning Cash Balances, Budgetary Basis	<u>556,349</u>	<u>556,349</u>	<u>-</u>
Ad Valorem Taxes	322,972	333,716	10,744
Charges for Services	224,976	224,976	-
Intergovernmental Revenues	-	1,921	1,921
Miscellaneous Revenues	-	1,675	1,675
Total Receipts, Budgetary Basis	<u>547,948</u>	<u>562,288</u>	<u>14,340</u>
Total Expenditures, Budgetary Basis	1,104,297	522,340	581,957
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	596,297	<u>\$ 596,297</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		7,761	
Add: Current Year Outstanding Warrants		42,144	
Ending Cash Balance		<u>\$ 646,202</u>	

**OKMULGEE COUNTY, OKLAHOMA**  
**NOTE TO OTHER SUPPLEMENTARY INFORMATION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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**1. Budgetary Schedules**

The Comparative Schedules of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis for the General Fund and the County Health Department 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.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**OKMULGEE COUNTY, OKLAHOMA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
Passed Through State Department of Commerce:			
Community Development Block Grants/State's program and Non-Entitlements Grants in Hawaii	14.228	15618 CDBG 13	\$ 241,079
Community Development Block Grants/State's program and Non-Entitlements Grants in Hawaii	14.228	15901 CDBG 13	136,828
Total U.S. Department of Housing and Urban Development			<u>377,907</u>
<b>U.S. DEPARTMENT OF INTERIOR</b>			
Direct Grants:			
Payments in Lieu of Taxes	15.226		21,645
National Wildlife Refuge Fund	15.659		6,705
Total U.S. Department of Interior			<u>28,350</u>
<b>U.S. DEPARTMENT OF JUSTICE</b>			
Passed Through the District Attorneys Council:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738		9,936
Total U.S. Department of Justice			<u>9,936</u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>			
Passed Through the Oklahoma Department of Emergency Management:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR 4222	1,164,620
Emergency Management Performance Grants (EMPG)	97.042		14,962
Total U.S. Department of Homeland Security			<u>1,179,582</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 1,595,775</u>

**OKMULGEE COUNTY, OKLAHOMA**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of Okmulgee County, and is presented on the *cash basis of accounting*. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance.

Indirect Cost Rate

Okmulgee County has elected to not use the 10 percent de minimis cost rate allowed for by 2 CFR§ 200.414(f).

## **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, 2016, 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, 2016, 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 questioned costs to be material weaknesses: 2016-001, 2016-008, 2016-009, 2016-011, 2016-012.

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 questioned costs to be significant deficiencies: 2016-002.

### **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 2016-011.

We noted certain matters regarding statutory compliance that we reported to the management of Okmulgee County, which are included in Section 4 of the schedule of findings and questioned costs 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 questioned costs. 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

**Independent Auditor's Report on Compliance for Each Major Federal Program  
and on Internal Control Over Compliance Required by  
the Uniform Guidance**

TO THE OFFICERS OF  
OKMULGEE COUNTY, OKLAHOMA

**Report on Compliance for Each Major Federal Program**

We have audited the compliance of Okmulgee County, Oklahoma, with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Okmulgee County's major federal program for the year ended June 30, 2016. Okmulgee County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Okmulgee County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

Because of the matter described in the basis for disclaimer of opinion paragraph we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Additionally, our audit does not provide a legal determination of Okmulgee County's compliance.



### **Basis for Disclaimer of Opinion on Disaster Grants - Public Assistance (Presidentially Declared Disasters)**

As described in item 2016-017, in the accompanying schedule of findings and questioned costs, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of Okmulgee County with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Okmulgee County's major federal program, Disaster Grants – Public Assistance (Presidentially Declared Disasters) (97.036). Consequently, we were unable to determine whether the County complied with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Okmulgee County's major federal program.

### **Disclaimer of Opinion on Disaster Grants - Public Assistance (Presidentially Declared Disasters)**

Because of the significance of the matter described in the basis for disclaimer of opinion paragraph, we were unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion and accordingly, and we do not express an opinion on Okmulgee County's compliance with the requirements described in the *OMB Compliance Supplement* that are applicable to its major federal program.

### **Other Matters**

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2016-003. Our opinion on the major federal program is not modified with respect to these matters.

Okmulgee County's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Okmulgee County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control Over Compliance**

Management of Okmulgee County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Okmulgee County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Okmulgee County's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control*

*over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2016-003, 2016-016, 2016-017, that we consider to be material weaknesses.

### **Okmulgee County's Response to Findings**

Okmulgee County's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Okmulgee County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. This report is also a public document pursuant to the Oklahoma Open Records Act (51 O.S., section 24A.1 et seq.), and shall be open to any person for inspection and copying.



CINDY BYRD, CPA  
OKLAHOMA STATE AUDITOR & INSPECTOR

June 26, 2019

**OKMULGEE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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**SECTION 1—Summary of Auditor’s Results**

Financial Statements

Type of auditor's report issued:..... Adverse as to GAAP; unmodified as to statutory presentation

Internal control over financial reporting:

- Material weakness(es) identified?..... Yes
- Significant deficiency(ies) identified? ..... Yes

Noncompliance material to financial statements noted?..... Yes

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?..... Yes
- Significant deficiency(ies) identified? ..... None reported

Type of auditor's report issued on  
compliance for major programs: .....Disclaimer

Any audit findings disclosed that are required to be reported  
in accordance with 2 CFR § 200.516(a) of the Uniform Guidance? ..... Yes

Identification of Major Programs

CFDA Number(s)

97.036

Name of Federal Program or Cluster

Disaster Grants - Public Assistance  
(Presidentially Declared Disasters)

Dollar threshold used to distinguish between  
Type A and Type B programs: ..... \$750,000

Auditee qualified as low-risk auditee?..... No

**OKMULGEE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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**SECTION 2—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 2016-001 - Inadequate County-Wide Controls and Lack of Disaster Recovery Plans (Repeat Finding 2015-001)**

**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.

**OKMULGEE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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**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. 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

**OKMULGEE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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decide upon the internal control activities required to mitigate those risks and achieve the internal control 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 2016-002 - Inadequate Internal Controls Over Financial Statements (Repeat Finding 2015-002)**

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

- The County's financial statements did not account for \$221,402.00 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 \$221,402.00 in revenues.
- The County disbursed sales tax collections, reflected in the County Building Authority Sales Tax Proceeds fund, via bank transfers from the General bank account to the Government Building Authority bank account. The transfer made in June 2016 was for \$113,604.00; however, only 60,443.00 in expenditures from the County Building Authority Sales Tax Proceeds funds were recorded on the County's financial statements.

Therefore, apportionments and disbursements recorded on the County's financial statements were understated \$221,402 and \$281,845 respectively.

**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.

**OKMULGEE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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**Effect of Condition:** These conditions 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.

**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. Additionally, 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.

**County Clerk:** We have implemented procedures which have corrected the above issues with Court Clerk payroll. Additionally, 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.

**County Treasurer:** A Court Fund Payroll account has been setup which will alleviate this issue in the future. Also, a separate fund has been set up for the County Building Authority Sales Tax Proceeds and it is now being handled differently.

**Court Clerk:** I was not in Office at this time, however, the issue with Court Fund payroll 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 2016-008—Inadequate Internal Controls Over the Reconciliation of the Appropriation Ledger to General Ledger (Repeat Finding 2015-008)**

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

**OKMULGEE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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**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.

**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 2016-009 - Inadequate Controls Over County Treasurer Operations – Cash Balances (Repeat Finding 2015-009)**

**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.
- Bank reconciliations 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.

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

**Finding 2016-011 - Inadequate Internal Controls and Noncompliance Over Disbursements (Repeat Finding 2015-011)**

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

- The County expended \$1,612,464 in County funds without following proper expenditure procedures as outlined in 19 O.S. § 1505.
  - \$1,391,062 in sales tax collections were paid to the Okmulgee County Building Authority via bank transfers without issuing a purchase order and warrant.
  - \$221,402 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.

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**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.

**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 2016-012 - Segregation of Duties Over Payroll Process (Repeat Finding 2015-012)**

**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.

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**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.

**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 3—Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance**

**Finding 2016-003 - Inadequate Internal Controls and Noncompliance Over the Schedule of Expenditures of Federal Awards**

**PASS-THROUGH GRANTOR:** Oklahoma Department of Emergency Management

**FEDERAL AGENCY:** U.S. Department of Homeland Security

**CFDA NO:** 97.036

**FEDERAL PROGRAM NAME:** Disaster Grants – Public Assistance (Presidentially Declared Disasters)

**FEDERAL AWARD NUMBER:** DR-4222

**FEDERAL AWARD YEAR:** 2016

**CONTROL CATEGORY:** Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Eligibility, Equipment and Real Property Management, Matching Level of Effort, Earmarking, Period of Performance, Procurement and Suspension and Debarment, Reporting, Subrecipient Monitoring, and Special Tests and Provisions

**QUESTIONED COSTS:** \$0

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**Condition:** During our audit, we identified federal programs that were not listed accurately on the County's Schedule of Expenditures of Federal Awards (SEFA). Federal expenditures were understated by \$1,174,556.

The following misstatements in expenditures were noted:

- The actual expenditures for the Edward Byrne Memorial Justice Assistance Grant Program, CFDA 16.738 were \$9,936 and the County reported \$0, which understated expenditures by \$9,936.
- The actual expenditures for Disaster Grants – Public Assistance (Presidentially Declared Disasters), CFDA 97.036 were \$1,164,620 and the County reported \$0, which understated expenditures by \$1,164,620.

Reported Total Expenditures of Federal Award	\$ 421,219
Plus: Edward Byrne Memorial Justice Assistance Grant Program (CFDA #16.738)	9,936
Plus: Disaster Grants – Public Assistance (Presidentially Declared Disasters) (CFDA # 97.036)	<u>1,164,620</u>
Actual Federal Expenditures of Federal Awards	<u>\$1,595,775</u>
Original SEFA Understated by	<u>\$1,174,556</u>

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure accurate reporting of expenditures for all federal awards.

**Effect of Condition:** This condition resulted in the erroneous reporting and/or a material misstatement of the County's SEFA and noncompliance with federal requirements.

**Recommendation:** OSAI recommends County Officials and department heads gain an understanding of federal programs awarded to Okmulgee County. Internal control procedures should be designed and implemented to ensure accurate reporting of expenditures and revenues on the SEFA and to ensure compliance with federal requirements.

**Management Response:**

**District 1 County Commissioner:** I will work with the other elected officials to ensure an accurate reporting of federal expenditures on the SEFA.

**District 2 County Commissioner:** I will work to implement controls to ensure accurate reporting of expenditures and revenues on the SEFA and to ensure compliance with federal requirements.

**District 3 County Commissioner:** Internal controls will be designed and implemented to ensure accurate reporting of federal expenditures on the SEFA and to ensure compliance with federal grant requirements.

**County Clerk:** I will continue to report the federal revenues and expenditures that are given to me when compiling the SEFA and will add extra steps to check all figures for accuracy.

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**County Treasurer:** This office will continue to aid in the preparation of the SEFA by providing the necessary reports that we have available to the County Clerk, who compiles the information for the County.

**County Sheriff:** I will work with the other elected officials to ensure the SEFA is accurately prepared.

**Criteria:** 2 CFR § 200.303(a) *Internal Controls* reads as follows:

The non-Federal entity must:

Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

2 CFR § 200.508(b) *Auditee responsibilities* reads as follows:

The auditee must:

Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with §200.510 Financial statements.

2 CFR § 200.510(b) *Financial statements* reads as follows:

*Schedule of expenditures of Federal awards.* The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with §200.502 Basis for determining Federal awards expended. [....]

Further, accountability and stewardship should be overall goals in management’s accounting of federal funds. Internal controls should be designed to monitor compliance with laws and regulations pertaining to grant contracts.

**Finding 2016-016 - Inadequate County-Wide Controls Over Major Federal Program**

**PASS-THROUGH GRANTOR:** Oklahoma Department of Emergency Management

**FEDERAL AGENCY:** U.S. Department of Homeland Security

**CFDA NO:** 97.036

**FEDERAL PROGRAM NAME:** Disaster Grants – Public Assistance (Presidentially Declared Disasters)

**FEDERAL AWARD NUMBER:** DR-4222

**FEDERAL AWARD YEAR:** 2016

**CONTROL CATEGORY:** Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Eligibility, Equipment and Real Property Management, Matching Level of Effort, Earmarking, Period of Performance, Procurement and Suspension and Debarment, Reporting, Subrecipient Monitoring, and Special Tests and Provisions

**QUESTIONED COSTS:** \$0

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**Condition:** County-wide controls regarding Control Environment, Risk Assessment, Information and Communication, and Monitoring have not been designed.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure the County is in compliance with grant requirements.

**Effect of Condition:** This condition could result in noncompliance to grant requirements.

**Recommendation:** OSAI recommends that the County implement a system of internal controls to ensure compliance with grant requirements.

**Management Response:**

**District 1 Commissioner:** We have designated the Emergency Management Director to be in charge of maintaining and compiling all federal records for the different Commissioner Districts. Additionally, I will work to implement controls to ensure accurate reporting of expenditures and revenues on the SEFA and to ensure compliance with federal requirements.

**District 2 Commissioner:** I will work to implement internal controls to ensure expenditures and revenues are accurately reported on the SEFA and to ensure compliance with federal grant requirements. The County Clerk will also be implementing a better review system to ensure federal information is reported accurately. Additionally, I will be discussing with all departments, especially the district barns, the necessity of record-keeping and documenting of all federal funding. We will make every attempt to keep all pertinent records.

**District 3 Commissioner:** Internal controls will be designed and implemented to ensure accurate reporting of federal expenditures on the SEFA and to ensure compliance with federal grant requirements. Additionally, we have put the Okmulgee County Emergency Manager Director in charge of maintaining and compiling federal records, for the different Commissioner Districts, especially those related to FEMA.

**County Clerk:** I will be implementing a better system to ensure the federal information that I am reporting is accurate, so the County is in compliance with all grant requirements.

**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

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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 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.

**Finding 2016-017 - Inadequate Internal Controls and Noncompliance Over Major Federal Program**

**PASS-THROUGH GRANTOR:** Oklahoma Department of Emergency Management

**FEDERAL AGENCY:** U.S. Department of Homeland Security

**CFDA NO:** 97.036

**FEDERAL PROGRAM NAME:** Disaster Grants – Public Assistance (Presidentially Declared Disasters)

**FEDERAL AWARD NUMBER:** DR-4222

**FEDERAL AWARD YEAR:** 2016

**CONTROL CATEGORY:** Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Eligibility, Equipment and Real Property Management, Matching Level of Effort, Earmarking, Period of Performance, Procurement and Suspension and Debarment, Reporting, Subrecipient Monitoring, and Special Tests and Provisions

**QUESTIONED COSTS:** \$600,197

**Condition:** Program expenditures for fiscal year 2016 totaled \$1,552,827. The County did not retain documentation to support \$800,262 in program expenditures. Therefore, OSAI could not determine the County expended these funds in accordance with Federal statutes, regulations, and the terms and conditions of the Federal award. The federal share (75%) of these disbursements results in \$600,197 of federal questioned costs.

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Additionally, during the process of documenting the County's internal controls regarding federal disbursements, we noted that the County has not established internal controls to ensure compliance with the following compliance requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Eligibility, Equipment and Real Property Management, Matching Level of Effort, Earmarking, Period of Performance, Procurement and Suspension and Debarment, Reporting, Subrecipient Monitoring, and Special Tests and Provisions.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure compliance with Uniform Grant Guidance and applicable compliance requirement for Public Assistance Grant.

**Effect of Condition:** These conditions resulted in noncompliance with grant requirements. The County runs the risk of misappropriation of funds and could hinder the County from receiving future federal funding. Further, this could result in the repayment of grant funds to the grantor agency.

**Recommendation:** OSAI recommends that the County design and implement policies and procedures to ensure compliance with applicable grant requirements.

**Management Response:**

**District 1 Commissioner:** We have designated the Emergency Management Director to be in charge of maintaining and compiling all federal records for the different Commissioner Districts.

**District 2 Commissioner:** I will be discussing with all departments the necessity of record-keeping and documenting all federal funding, especially the district barns. We will make every attempt to keep all pertinent records.

**District 3 Commissioner:** All documentation related to the disaster 4222 was reviewed and completed by both state and federal disaster inspectors. All original paperwork was given to Oklahoma Emergency Management (OEM) personnel and we did not retain copies. It appears that OEM cannot account for these records. From now on, we will retain original documentation for all grants and have put the Okmulgee County Emergency Manager Director in charge of maintaining and compiling federal records, for the different Commissioner Districts, especially those related to FEMA.

**County Clerk:** I will be discussing with all departments the necessity of record-keeping and documenting all federal funding.

**Criteria:** 2 CFR § 200.303 *Internal Controls (a)* reads as follows:

The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the

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United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Further, accountability and stewardship should be overall goals in management’s accounting of federal funds. Internal controls should be designed to monitor compliance with laws and regulations pertaining to grant contracts.

**SECTION 4—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 2016-007 - County Officials’ Salaries in Excess of Statutory Limits (Repeat Finding 2015-007)**

**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:

<b>Fiscal Year</b>	<b>Maximum Annual Salary Allowed</b>	<b>Actual Annual Salary Received</b>	<b>Over/(Under) Payment Per Official</b>	<b>Total Overpayment For Year</b>
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
2016	\$54,400.00	\$62,500.08	\$8,100.08	\$ 64,800.64
2017	\$54,500.00	\$62,500.08	\$8,000.08	\$ 64,000.64
2018	\$54,800.00	\$62,500.08	\$7,700.08	\$ 61,600.64
2019	\$54,900.00	\$61,866.74	\$6,966.74	\$ 55,733.92
<b>Total Overpayment as of June 30, 2019</b>				<b>\$377,337.12</b>

- 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 July 1, 2018.

**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.

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**Effect of Condition:** These conditions resulted in noncompliance with state statutes and collectively, County Officials being overpaid \$377,337.12 as of June 30, 2019.

**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.

**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

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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 2016-013—Inadequate Internal Controls and Noncompliance Over Fixed Assets and Consumable Inventory (Repeat Finding 2015-013)**

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

**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.

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- 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.
  - Consumable records were not maintained on tires and road signs.
- 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.
  - Transfer documents for consumable inventories are not used.

**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 statute. 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.
- Maintaining transfer documents for all consumable items.
- Ensuring the functions of performing periodic inventories is segregated from the key functions of receiving duties and inventory control duties.

**Management Response:**

**District 1 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.

**District 2 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, mobile fuel tanks usage is now recorded on separate logs, and we will emphasize the importance of logging all usage accurately and timely. We will be implementing a more accountable inventory system for consumable items.

**District 3 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 and transfer documents will be used and maintained for all consumable inventory items.

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**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 2016-014 – Inadequate Controls and Noncompliance over Collection, Disbursements and Reporting and Reconciliation Processes – Court Clerk (Repeat Finding 2015-014)**

**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 Treasurer. This person can also perform the monthly reconciliation to the County Treasurer; calculate and review amounts to be disbursed by voucher; and prepare, sign, and distribute vouchers.
- 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.

**Revolving Fund:**

- The Court Clerk Revolving Fund reconciliations performed for fiscal 2016 did not reconcile to the County Treasurer's general ledger balance at June 30, 2016. Additionally, it was noted that the

**OKMULGEE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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County Treasurer certified the accuracy of the June 30, 2016 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) Revolving Fund expenditures tested revealed that four (4) were not properly approved by the Court Clerk and either the District Judge or Associate District Judge:

Claim	Warrant	Purpose	Amount
2207	27	Federal, Medicare Match & Social Security	\$674.26
3372	48	Payroll (Net Pay)	\$219.42
1861	20	State Taxes	\$17.00
1861	19	Federal, Medicare, Medicare Match, SS Match	\$1,025.38

**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.

**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

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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.”

**APPENDIX A**

**CORRECTIVE ACTION PLAN**

**(Prepared by County Management)**

**BOARD OF COUNTY COMMISSIONERS  
OKMULGEE COUNTY, OKLAHOMA**

RON BALLARD  
BEGGS, OKLAHOMA

ROBERT HARDRIDGE  
OKMULGEE, OKLAHOMA

JAMES CONNORS  
HENRYETTA, OKLAHOMA

**Corrective Action Plan  
in accordance with 2 CFR § 200.511c  
for the fiscal year ended June 30, 2016**

<b>Finding No.</b>	<b>Title (Financial) or CFDA No. &amp; Program Name (Federal)</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Responsible Contact Person</b>
2016-001	Inadequate County-Wide Controls and Lack of Disaster Recovery Plans	Management will be working together to design and implement a county-wide control system and a county-wide Disaster Recovery Plan. The individual officers will also be working on Disaster Recovery Plans for their individual offices.	December 31, 2019	Bobby Hardridge
2016-002	Inadequate Internal Controls Over Financial Statements	Management recognized the need to ensure the accurate reporting of County revenues and expenditures on the Financial Statements and has already establishing a Court Fund Payroll Fund and 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.	July 1, 2019	Vonna Lampkins
2016-003	Inadequate Internal Controls Over the Schedule of Expenditures of Federal Awards	Management recognizes the need to ensure the accuracy of the of the Schedule of Federal Awards and will be working together to design and implement internal controls to ensure an accurate reporting of federal revenues and expenditures.	July 1, 2019	Bobby Hardridge
2016-007	County Officials' Salaries in Excess of Statutory Limits	On June 10, 2019, the Board of County Commissioners passed a resolution reducing the amount of County Officials salaries to be within statutory limitations. This reduction is retroactive to June 1, 2019.	June 10, 2019	Bobby Hardridge
2016-008	Inadequate Internal Controls Over the Reconciliation of the Appropriation Ledger to General Ledger	Management recognized the need to reconcile the County Clerk's Appropriation Ledger balances to the County Treasurer's General Ledger balances and implemented this process in FY 2017.	Completed in FY 2017	Becky Thomas

2016-009	Inadequate Controls Over County Treasurer Operations	Management will make every effort to review, date, and initial as a reviewer on the items listed above on a regular basis.	July 1, 2019	Vonna Lampkins
2016-011	Inadequate Internal Controls and Noncompliance Over Disbursements	Management recognized the need to ensure the accurate reporting of County revenues and expenditures on the Financial Statements and has already establishing a Court Fund Payroll Fund and 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.	July 1, 2019	Becky Thomas
2016-012	Segregation of Duties Over Payroll Process	Management will implement new policies and procedures to ensure an adequate segregation of duties over payroll processes.	July 1, 2019	Becky Thomas
2016-016	Inadequate County-Wide Controls Over Major Federal Program	Management will be working together to design and implement internal controls to ensure and accurate reporting of federal funds and compliance with federal grant requirements.	July 1, 2019	Bobby Hardridge
2016-017	Inadequate Internal Controls and Noncompliance Over Major Federal Program	Management understands the importance of maintaining accurate and complete records for federal grants. Management has taken steps to ensure all required records are retained by placing the Okmulgee County Emergency Management Director in charge of record retention for all FEMA grants. Additionally, the chairman will be speaking to all departments regarding the necessity of record-keeping and documenting all federal funding, especially the district barns.	July 1, 2019	Bobby Hardridge

**APPENDIX B**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**(Prepared by County Management)**

**BOARD OF COUNTY COMMISSIONERS  
OKMULGEE COUNTY, OKLAHOMA**

RON BALLARD  
BEGGS, OKLAHOMA

ROBERT HARDRIDGE  
OKMULGEE, OKLAHOMA

JAMES CONNORS  
HENRYETTA, OKLAHOMA

**Summary Schedule of Prior Audit Findings  
in accordance with 2 CFR § 200.511b  
for the fiscal year ended June 30, 2016**

FINANCIAL AUDIT FINDINGS
<p><b>Finding:</b> 2003-001, 2004-001, 2005-001, 2006-001, 2007-001, 2008-001, 2009-001, 2010-001 <b>Financial Statements</b> <b>Finding Summary:</b> The County has voluntarily adopted the County Budget Act and established uniform and sound fiscal procedures for the preparation, adoption, execution, and control of the County budget by cooperation of all elected officials. However, the County does not prepare financial statements, or have internal controls to ensure financial statements are prepared, in conformity with generally accepted accounting principles as provided by the County Budget Act. <b>Status:</b> Fully Corrected</p>

FEDERAL AUDIT FINDINGS
No matters were reported



Cindy Byrd, CPA | State Auditor & Inspector

2300 N. Lincoln Blvd., Room 123, Oklahoma City, OK 73105 | 405.521.3495 | [www.sai.ok.gov](http://www.sai.ok.gov)