



OSAGE COUNTY

Financial Audit

For the fiscal year ended June 30, 2019

Cindy Byrd, CPA
State Auditor & Inspector

**OSAGE COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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Cindy Byrd, CPA | State Auditor & Inspector

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July 21, 2021

TO THE CITIZENS OF
OSAGE COUNTY, OKLAHOMA

Transmitted herewith is the audit of Osage County, Oklahoma for the fiscal year ended June 30, 2019. The audit was conducted in accordance with 19 O.S. § 171.

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

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

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

Sincerely,

A handwritten signature in blue ink that reads "Cindy Byrd". The signature is fluid and cursive, with the first and last names clearly legible.

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



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

Board of County Commissioners

District 1 – Randall Jones
District 2 – Kevin Paslay
District 3 – Darren McKinney

County Assessor

Ed Quinton, Jr.

County Clerk

Sheila Bellamy

County Sheriff

Eddie Virden

County Treasurer

Sally Hulse

Court Clerk

Jennifer Burd

District Attorney

Mike Fisher

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

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FINANCIAL SECTION

Independent Auditor's Report

TO THE OFFICERS OF
OSAGE 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 Osage County, Oklahoma, as of and for the year ended June 30, 2019, and the related notes to the financial statement, which collectively comprise the County's basic financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the regulatory basis of accounting described in Note 1, and for determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1, the financial statement is prepared by Osage 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 Osage County as of June 30, 2019, or changes in financial position for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash balances for all county funds of Osage County, for the year ended June 30, 2019, in accordance with the basis of accounting described in Note 1.

Other Matters

Supplementary Information

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

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statement.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 20, 2021, on our consideration of Osage 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 Osage 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

July 20, 2021

REGULATORY BASIS FINANCIAL STATEMENT

OSAGE COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS
(WITH COMBINING INFORMATION)
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Beginning Cash Balances July 1, 2018	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2019
Combining Information:						
County General	\$ 4,524,437	\$ 5,763,645	\$ 26,645	\$ -	\$ 5,915,450	\$ 4,399,277
T-Highway	2,685,179	6,677,443	-	-	6,896,710	2,465,912
County Health for the Elderly	3,437,822	905,576	-	-	482,383	3,861,015
Sales Tax	1,124,266	3,699,363	1,900,000	-	4,053,146	2,670,483
Sales Tax Investments	1,900,000	-	-	1,900,000	-	-
Collection & Enforcement Sales Tax	67,226	36,220	-	-	-	103,446
County Bridge and Road Improvement Fund	1,085,378	1,043,316	-	350,000	392,405	1,386,289
Special E-911 Fund	227,062	34,064	-	-	258,575	2,551
County Building Fund	1,013	-	-	1,013	-	-
Resale Property	1,028,497	465,384	-	-	506,602	987,279
Special Insurance	23,957	-	-	17,448	6,509	-
Sheriff Equipment	832	-	-	34	798	-
Sheriff B-4	171,600	255,275	-	-	225,073	201,802
County Clerk Records Preservation Fund	289,186	43,910	-	-	25,182	307,914
County Clerk Lien Fee	133,660	13,795	-	-	8,625	138,830
Treasurer Mortgage Certification Fee	53,433	6,780	-	-	1,988	58,225
Community Service	2,856	-	-	2,856	-	-
Capital Outlay and Equipment	1,037	-	-	1,037	-	-
Nutrition Donation Fund	3,639	195	-	-	3,834	-
E-911 Tower	1,050	-	-	3	1,047	-
County Assessor Cash	25,655	4,941	-	-	1,688	28,908
Kennedy Building	2,312	-	-	2,312	-	-
Sheriff Unclaimed Property	10,066	-	-	-	10,005	61
Osage County Nutrition Program	128,058	450,812	-	-	427,991	150,879
County Sheriff Cash	126,003	139,036	-	-	161,287	103,752
Osage County Trash COP	240	-	-	-	-	240
Law Enforcement Block Grant	565	-	-	565	-	-
Sheriff Jail Canteen	47,055	74,372	-	-	106,328	15,099
Fairgrounds Cash Account	18,402	96,369	-	-	78,244	36,527
Free Fair	2,794	200	-	-	-	2,994
E-911 Wireless	458,853	486,556	-	-	155,127	790,282
Local Emergency Planning Committee	4,765	1,000	-	-	712	5,053
Trash Reward	96	-	-	-	-	96
Courthouse Security	95,804	28,716	-	-	66,986	57,534
Use Tax	1,149,266	1,137,784	-	-	749,291	1,537,759
Court Clerk Payroll	59,650	228,668	-	-	221,412	66,906
County Lodging Tax	94,319	224,881	-	-	116,775	202,425
Emergency Management EOP Grant	24	-	-	24	-	-
Weather Radio Grant	276	-	-	276	-	-
SLA Grant Supplemental Award	382	-	-	382	-	-
Emergency Management Performance Grant	695	-	-	695	-	-
Safe Room Grant	-	110,356	-	-	96,752	13,604
Combined Total - All County Funds	\$ 18,987,410	\$ 21,928,657	\$ 1,926,645	\$ 2,276,645	\$ 20,970,925	\$ 19,595,142

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

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

1. Summary of Significant Accounting Policies

A. Reporting Entity

Osage 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, 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 – accounts for the general operations of Osage County.

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

County Health for the Elderly – accounts for monies collected for performing health-related services for the elderly. Disbursements are for expenditures associated with performing these services.

Sales Tax – accounts for sales tax collections received for operating and maintaining the County Jail and the County Department of Health.

Sales Tax Investments – accounts for sales tax revenue held in short-term investments for future sales tax restricted use.

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

Collection & Enforcement Sales Tax – accounts for the 1% sales tax collections received for the enforcement of the sales tax.

County Bridge and Road Improvement Fund – accounts for monies received from the State of Oklahoma and disbursements are for the purpose of constructing and maintaining county roads and bridges.

Special E-911 Fund – accounts for the collection of fees charged by private telephone companies for the County's emergency 911 system. Disbursements are for expenditures related to providing these services.

County Building Fund – accounts for funds remaining from building projects.

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

Special Insurance – accounts for insurance reimbursements received for damages to county property. Disbursements were for repairs to county property.

Sheriff Equipment – accounts for donations received for the purpose of purchasing special equipment for the Sheriff's department.

Sheriff B-4 – accounts for the collection and disbursement of Sheriff process service fees as restricted by state statute.

County Clerk Records Preservation Fund – accounts for fees collected for instruments filed in the County Clerk's office as restricted by state statute for preservation of records.

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

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

Community Service – accounts for revenues from state funds for reimbursement of administrative expenses for people sentenced to community service.

Capital Outlay and Equipment – accounts for the collection and disbursement of funds collected to support capital improvements.

Nutrition Donation Fund – accounts for donations received at the area nutrition locations where meals are provided, both congregate and individual, to senior citizens who are 60 years old or older and who are unable to leave their residence without assistance. Disbursements are grant restricted.

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

E-911 Tower – accounts for the collection of rental income associated with the E-911 Tower.

County Assessor Cash – accounts for collection of fees for copies restricted by state statute.

Kennedy Building – accounts for revenue from rent proceeds and disbursements are for the maintenance and operation of the Kennedy Building.

Sheriff Unclaimed Property – accounts for unclaimed money in the inmate trust account and disbursements are restricted by state statute.

Osage County Nutrition Program – accounts for a Title 3 program, which provides meals, both congregate and individual, to senior citizens who are 60 years old or older and who are unable to leave their residence without assistance.

County Sheriff Cash – accounts for the collection and disbursement of money supplied to the Sheriff's office for the housing of prisoners for towns, tribes, and other counties. Disbursements are used for lawful Sheriff expenditures.

Osage County Trash COP – accounts for monies collected from fines and disbursements are used to prevent the dumping of trash throughout the County.

Law Enforcement Block Grant – accounts for the collection and disbursement of grant money supplied to the County by the Department of Justice for local law enforcement agencies.

Sheriff Jail Canteen – accounts for the collection of the sale of items to inmates and disbursements to purchase commissary goods from the vendor and the maintenance and operation of the County jail.

Fairgrounds Cash Account – accounts for the collection of rental income and other miscellaneous receipts. Disbursements are for the purpose of maintenance and operation of the fairgrounds.

Free Fair – accounts for the collection of rental income and donations. Disbursements are for the maintenance and operation of the Free Fair.

E-911 Wireless – accounts for the collection of fees charged on cellular telephone bills for the County's wireless E- 911 system. Disbursements are for expenditures related to providing these services.

Local Emergency Planning Committee – accounts for revenues from a state grant to cover the cost of paperwork for hazardous materials that are moved within the County and disbursed for local emergency planning.

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

Trash Reward – accounts for revenues from a yearly state grant and disbursements are for trash cop salaries.

Courthouse Security – accounts for revenues from a portion of fines collected within the County and disbursements are for courthouse security.

Use Tax – accounts for receipts of Oklahoma Tax Commission collection of county use tax. Disbursements are for the construction, purchase, and/or maintenance of county buildings.

Court Clerk Payroll – accounts for the monies disbursed for payroll of the Court Clerk's employees.

County Lodging Tax – accounts for revenues from 5% tax collected by the Oklahoma Tax Commission from the hotels and motels in the County. Disbursements may only be used for promotion and development of tourism and recreational activities within Osage County.

Emergency Management EOP Grant – accounts for the receipt and disbursement of funds from federal and state sources for emergency management and other civil defense purposes.

Weather Radio Grant – accounts for revenues from a federal grant to purchase weather radios.

SLA Grant Supplemental Award – accounts for the receipt and disbursement of funds from federal and state sources for emergency management and other civil defense purposes.

Emergency Management Performance Grant – accounts for revenues from a federal grant to be used for an emergency management employee to attend college.

Safe Room Grant – accounts for grant monies received and disbursed as restricted by the grant agreement.

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

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

with, at a minimum, the general fund and all other county funds, which represent ten percent or greater of total county revenue with all other funds included in the audit presented in the aggregate in a combining statement. However, the County has elected to present all funds included in the audit in the Statement of Receipts, Disbursements, and Changes in Cash Balances—Regulatory Basis.

D. Budget

Under current Oklahoma Statutes, a general fund and a county health department fund are the only funds required to adopt a formal budget. On or before the first Monday in July of each year, each officer or department head submits an estimate of needs to the governing body. The budget is approved for the respective fund by office, or department and object. The County Board of Commissioners may approve changes of appropriations within the fund by office or department and object. To increase or decrease the budget by fund requires approval by the County Excise Board.

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.

The County has investments with an original cost of \$2,100,000 with a financial institution that has invested the funds in the Federal Home Loan Mortgage Corporation which is not backed by the full faith and credit of the United States Government and are subject to interest rate risk and credit risk.

All investments, except for those investments noted in the preceding paragraph, are backed by the full faith and credit of the United States Government, the Oklahoma State Government, fully collateralized, or fully insured. All investments, except for those investments noted in the preceding paragraph, as classified by state statute are nonnegotiable certificates of deposit. Nonnegotiable certificates of deposit are not subject to interest rate risk or credit risk.

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

2. Ad Valorem Tax

The County's property tax is levied each October 1 on the assessed value listed as of January 1 of the same year for all real and personal property located in the County, except certain exempt property. Assessed values are established by the County Assessor within the prescribed guidelines established by the Oklahoma Tax Commission and the State Equalization Board. Title 68 O.S. § 2820.A. states, ". . . Each assessor shall thereafter maintain an active and systematic program of visual inspection on a continuous basis and shall establish an inspection schedule which will result in the individual visual inspection of all taxable property within the county at least once each four (4) years."

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

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

3. Other Information

A. Pension Plan

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

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

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

plan. These benefits are funded on a pay-as-you-go basis as part of the overall retirement benefit. OPEB expenditure and participant information is available for the state as a whole; however, information specific to the County is not available nor can it be reasonably estimated.

C. Contingent Liabilities

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

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

D. Sales Tax

Sales Tax of July 27, 2010

The voters of Osage County approved a 1% (one percent) county-wide sales tax. The sales tax is to be used as follows:

- 1% for the collection and enforcement of the sales tax.
- 99% for the maintenance and operation of the new jail and increased personnel, equipment, and operation costs of the Osage County Sheriff's Office.

The sales tax became effective July 1, 2014 and has an unlimited duration. These funds are accounted for in the Collection & Enforcement Sales Tax and Sales Tax funds.

Sales Tax of July 25, 2006

The voters of Osage County approved a 0.25% (one-quarter of one percent) county-wide sales tax. The sales tax is to be used exclusively to maintain and establish a County Department of Health. The sales tax became effective December 1, 2006 and has an unlimited duration.

These funds are accounted for in the 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.

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

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 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 \$294,070 of ad valorem taxes abated under this program for the fiscal year ended June 30, 2019.

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

F. Interfund Transfers

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

- In preparation for the Chart of Accounts conversion residual balances totaling \$26,645 were transferred to the County General fund from the following funds:
 - Special Insurance - \$17,448
 - Sheriff Equipment - \$34
 - Community Service - \$2,856
 - Capital Outlay and Equipment - \$1,037
 - E-911 Tower - \$3
 - Kennedy Building - \$2,312
 - Law Enforcement Block Grant - \$565
 - County Building Fund - \$1,013
 - Emergency Management EOP Grant - \$24
 - Weather Radio Grant - \$276
 - SLA Grant Supplemental Award - \$382
 - Emergency Management Performance Grant - \$695
- \$1,900,000 was transferred from the Sales Tax Investments fund to Sales Tax fund to close out the fund in preparation for the Chart of Accounts conversion.
- \$350,000 was transferred from County Bridge and Road Improvement Fund to the Emergency Transportation Revolving fund (ETR) (a Trust and Agency fund) for a loan repayment for road projects in the County.

SUPPLEMENTARY INFORMATION

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

	General Fund		
	Budget	Actual	Variance
District Attorney - State	\$ 122,000	\$ 122,000	\$ -
District Attorney - County	15,000	14,810	190
County Sheriff	1,122,787	1,029,695	93,092
County Treasurer	124,562	116,991	7,571
County Commissioners	172,762	172,762	-
County Commissioners OSU Extension	152,332	130,817	21,515
County Clerk	335,879	302,627	33,252
Court Clerk	158,419	156,515	1,904
County Assessor	490,717	378,737	111,980
Revaluation of Real Property	931,796	769,444	162,352
General Government	3,092,108	737,044	2,355,064
Excise - Equalization Board	11,200	7,758	3,442
County Election Expense	154,303	124,200	30,103
Insurance - Benefits	1,429,133	1,162,745	266,388
County Purchasing Agent	29,700	29,700	-
Data Processing	15,500	15,052	448
Charity	5,811	1,500	4,311
County Engineer emergency management	87,420	63,976	23,444
Library Planning and Zoning	154,700	145,982	8,718
Solid Waste: Safety & Hazardous Materials	53,420	51,311	2,109
Fair Grounds	205,479	183,207	22,272
Enhanced 911	245,000	242,891	2,109
County Audit Budget Account	40,515	2,700	37,815
Free Fair Budget Account	40,000	39,948	52
Total Expenditures, Budgetary Basis	<u>\$ 9,190,543</u>	<u>\$ 6,002,412</u>	<u>\$ 3,188,131</u>

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

1. Budgetary Schedules

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

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

INTERNAL CONTROL AND COMPLIANCE SECTION

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

TO THE OFFICERS OF
OSAGE 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 Osage County, Oklahoma, as of and for the year ended June 30, 2019, and the related notes to the financial statement, which collectively comprises Osage County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated July 20, 2021.

Our report included an adverse opinion on the financial statement because the statement is prepared using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County for the year ended June 30, 2019, on the basis of accounting prescribed by Oklahoma state law, described in Note 1.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered Osage 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 Osage County's internal control. Accordingly, we do not express an opinion on the effectiveness of Osage County's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be material weaknesses: 2019-001, 2019-003 and 2019-004.

Compliance and Other Matters

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

Osage County's Response to Findings

Osage County's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. Osage County's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on the response.

Purpose of this Report

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

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



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

July 20, 2021

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

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

Finding 2019-004— Lack of County-Wide Internal Controls (Repeat Finding – 2008-024, 2009-025, 2010-025, 2011-001, 2012-001, 2013-001, 2014-001, 2015-001, 2016-001, 2017-001, 2018-004)

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

Cause of Condition: Policies and procedures have not been designed and implemented to address the risks of the County.

Effect of Condition: Without an adequate system of county-wide controls, there is greater risk of a breakdown in control activities which could result in unrecorded transactions, undetected errors, or misappropriation of funds.

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

Management Response:

Chairman of the Board of County Commissioners: We now perform the following:

- We feel our County Officials and department heads are very transparent and communicate our concerns and needs. We address risks the County may be facing. All departments are mindful of their expenses. Monthly reports are submitted and reviewed at our weekly meetings.
- The financial statements are being prepared in a more timely manner for BOCC approval.
- The SEFA report is prepared and reviewed by the BOCC, County Clerk and Treasurer.
- The County Clerks is updating the Employee Handbook to make it more current.
- We have reviewed the Auditor’s County-Wide Internal Controls Checklist and will address these questions at our quarterly meetings.

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

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

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

Definition of Internal Control

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

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

Components, Principles, and Attributes

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

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

Finding 2019-001—Lack of Internal Controls Over the Payroll Process (Repeat Finding – 2008-005, 2009-006, 2010-006, 2011-002, 2012-002, 2013-002, 2014-002, 2015-002, 2016-002, 2017-002, 2018-001)

Condition: A lack of segregation of duties exists in the County Clerk's Office because the Payroll Clerk adds new hires to the payroll system, makes changes to payroll, processes payroll claims, issues payroll, prints payroll, and has access to blank warrants.

Cause of Condition: Policies and procedures have not been designed and implemented to adequately segregate the duties within the payroll department.

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

Recommendation: OSAI recommends management be aware of these conditions and realize that concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective controls lie in management's oversight of office operations and a periodic review of operations. 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, having management review and approval of accounting functions, and limited access to blank warrants.

Management Response:

County Clerk: I was not in office during the prior audit. The following changes were made after July of 2019:

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

- The Payroll Clerk does not add new hires to the Payroll System. This action is only performed by the Procurement Agent.
- While the Payroll Clerk is able to make changes, process payroll claims, and issue/print payroll, both the Payroll Clerk and the Procurement Agent perform the payroll verification each month. This is a detailed review of every payment to ensure proper accounting/payment to employees and vendors.
- Additionally, the Procurement Agent runs payroll reports once a quarter. The payroll verification is still performed by both the Payroll Clerk and the Procurement Agent when the Procurement Agent runs payroll.
- Blank warrant stock is maintained in a safe under lock and key. The warrant stock is sequentially numbered via control number and tracked by office employees to ensure proper tracking and accuracy.
- The County Clerk reviews all warrants that leave the office. Each check is initialed with wet ink.

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

Segregation of Duties

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

Additionally, Principle 10 – Segregation of Duties states:

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

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

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

**OSAGE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
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Finding 2019-003 – Lack of Internal Controls Over Treasurer’s Office Receipting Process and Information Technology Controls (Repeat Finding – 2016-003, 2017-003, 2018-003)

Condition: Upon review of the internal control process and review of the computer system within the County Treasurer’s office, it was noted that there does not appear to be adequate controls in place to safeguard against unauthorized modification, loss, or disclosure. The following was noted:

- One employee issues receipts, completes bank reconciliations, prepares and signs the apportionment ledger, prepares and signs monthly reports, and apportions revenue.
- There is a segregation of duties issue with the IT system. The specifics of the condition have been sanitized to protect the County pursuant to the provision of 51 O.S. § 24A.28.

Cause of Condition: Policies and procedures have not been designed and implemented to adequately segregate duties within the Treasurer’s office and computer policies and procedures have not been developed to ensure IT controls are properly designed and implemented.

Effect of Condition: This condition could result in unrecorded transactions, misstated financial reports, undetected errors, misappropriation of funds, compromised security for computers, computer programs, and data.

Recommendation: OSAI recommends management be aware of these conditions and realize that concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective controls lie in management’s oversight of office operations and a periodic review of operations. 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. Furthermore, OSAI recommends the County implement internal control policies and procedures over information technology to ensure compliance with best practices presented in the criteria. The specifics of the condition have been sanitized to protect the County pursuant to the provision of 51 O.S. § 24A.28.

Management Response:

County Treasurer:

- I am trying to segregate more of the duties in my office with a small staff. I am aware and accept the slight risk of an employee having cash register functions and reconciling duties.
- I am training an employee to prepare the SA&I report and reconcile bank statements.
- Balancing is a two-person task. All voids are validated by two employees and a report is run daily and monthly. All voids are approved by another employee. The monthly report is verified by two employees.
- There are three employees who work on the apportionments.
- I added another security officer when this finding was brought to my attention.

**OSAGE COUNTY, OKLAHOMA
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Criteria: The GAO Standards – Principle 10 – Design Control Activities – 10.03 states in part:

Segregation of duties

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

Additionally, according to the standards of the Information Systems Audit and Control Association (CobiT, Deliver and Support Ds5), the need to maintain the integrity of information and protect IT assets requires a security management process. This process includes establishing and maintaining IT security roles and responsibilities, policies, standards, and procedures. Security management also includes performing security monitoring and periodic testing and implementing corrective actions for identified security weaknesses or incidents. Effective security management protects all IT assets to minimize the business impact of security vulnerabilities and incidents.



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