



OTTAWA COUNTY

Financial Report with Single Audit

For the fiscal year ended June 30, 2021

Cindy Byrd, CPA
State Auditor & Inspector

**OTTAWA COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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OKLAHOMA
Office of the State Auditor & Inspector

Cindy Byrd, CPA | State Auditor & Inspector

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

February 6, 2025

TO THE CITIZENS OF
OTTAWA COUNTY, OKLAHOMA

Transmitted herewith is the audit of Ottawa County, Oklahoma for the fiscal year ended June 30, 2021. The audit was conducted in accordance with 19 O.S. § 171.

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

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

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

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

Sincerely,

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

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

Board of County Commissioners

District 1 – Mike Furnas
District 2 – Steven Chasteen
District 3 – Russell Earls

County Assessor

Becky Smith

County Clerk

Robyn Mitchell

County Sheriff

David Dean

County Treasurer

Kathy Bowling

Court Clerk

Cassie Key

District Attorney

Kenny Wright

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

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OTTAWA COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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FINANCIAL SECTION



Independent Auditor's Report

TO THE OFFICERS OF
OTTAWA COUNTY, OKLAHOMA

Report on the Financial Statement

We have audited the total—all county funds on the accompanying regulatory basis Statement of Receipts, Disbursements, and Changes in Cash Balances of Ottawa County, Oklahoma, as of and for the year ended June 30, 2021, and the related notes to the financial statement, which collectively comprise the County's basic financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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

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

As described in Note 1, the financial statement is prepared by Ottawa 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 Ottawa County as of June 30, 2021, or changes in financial position for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the total receipts, disbursements, and changes in cash balances for all county funds of Ottawa County, as of and for the year ended June 30, 2021, in accordance with the basis of accounting described in Note 1.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the total of all county funds on the financial statement. The 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 is 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 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 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 January 22, 2025, on our consideration of Ottawa 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 Ottawa 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

January 22, 2025

REGULATORY BASIS FINANCIAL STATEMENT

OTTAWA COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Beginning Cash Balances July 1, 2020	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2021
County Funds:						
County General	\$ 1,244,656	\$ 4,701,715	\$ 587,476	\$ -	\$ 3,704,073	\$ 2,829,774
Health	284,228	288,858	-	-	177,780	395,306
Bureau of Indian Affairs (BIA) Stateline Road	109	31,075	-	-	29,639	1,545
County Highway Unrestricted	1,541,258	2,476,117	157,038	2,473	2,614,206	1,557,734
Roads and Bridges - ST	1,685,579	1,483,767	-	-	937,057	2,232,289
County Building - ST	848,617	742,160	-	-	600,293	990,484
MIDA Rawlins Sinking	1	-	-	1	-	-
Rural Fire - ST	314,211	305,096	-	-	192,683	426,624
County Bridge and Road Improvement	643,799	199,116	954,564	70,000	1,140,265	587,214
Resale Property	416,088	311,151	1,246	-	184,652	543,833
Local Emergency Planning Committee	4,000	2,000	-	-	180	5,820
Emergency Management Performance Grant	23,978	11,556	-	-	4,032	31,502
Sheriff Service Fee	106,982	326,227	-	-	286,406	146,803
Sheriff Bond Fee	4,150	3,565	-	-	1,142	6,573
Sheriff Commissary	3,434	104,910	-	-	81,574	26,770
Sheriff Reserves	147	584	-	-	-	731
Sheriff Forfeiture	3,620	-	-	-	428	3,192
County Clerk Lien Fee	16,488	8,540	-	-	1,741	23,287
County Clerk Records Management and Preservation	70,788	62,423	-	-	26,881	106,330
Treasurer Mortgage Certification	6,138	4,980	-	-	6,173	4,945
Reward Fund	1,371	8	-	-	-	1,379
Assessor Revolving Fee	15,240	1,890	-	-	203	16,927
County Donations	10,663	159,263	-	-	44,390	125,536
Convenience Center Fund	5,729	4,263	-	-	5,943	4,049
COVID Aid and Relief	-	907,620	-	622,528	285,092	-
American Rescue Plan Act 2021	-	3,023,028	-	-	-	3,023,028
Total - All County Funds	\$ 7,251,274	\$ 15,159,912	\$ 1,700,324	\$ 695,002	\$ 10,324,833	\$ 13,091,675

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

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

1. Summary of Significant Accounting Policies

A. Reporting Entity

Ottawa 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 emergency medical districts, school districts, and cities and towns. The cash receipts and disbursements attributable to those other entities do not appear in funds on the County's financial statement; those funds play no part in the County's operations. Any trust or agency funds maintained by the County are not included in this presentation.

B. Fund Accounting

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

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

County General – accounts for the general operations of the government with revenues from ad valorem taxes, officers' fees, sales tax, interest earnings, and miscellaneous collections of the County.

Health – accounts for ad valorem taxes, miscellaneous fees charged by the County Health Department, and state and federal funds. Disbursements are from the operation of the County Health Department.

Bureau of Indian Affairs (BIA) Stateline Road – accounts for money received from the federal government for construction and improvement of roads and bridges within the County as restricted by the grant agreements.

County Highway Unrestricted – accounts for revenues from state-imposed fuel taxes. Disbursements are for the maintenance and construction of county roads and bridges.

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

Roads and Bridges - ST – accounts for the collections of sales tax revenue and the disbursement of funds are for the construction of county roads and bridges as restricted by the sales tax ballot.

County Building - ST – accounts for the collections of sales tax revenue and the disbursement of funds are for the County Courthouse facilities and to pay the principal and interest on indebtedness on behalf of the County by the Ottawa County Governmental Building Authority as restricted by the sales tax ballot.

MIDA Rawlins Sinking – accounts for revenues from ad valorem taxes collected for the payment of principal and interest on bonds and judgments against the County. The County paid off the outstanding debt in fiscal year 2017 and the 2019 and 2020 collections were transferred to the County General fund in accordance with state statute.

Rural Fire - ST – accounts for the collections of sales tax revenue and disbursement of funds are for the purchase of equipment, general operation, maintenance, training, and the construction of new fire department buildings or improvements to existing fire department buildings as restricted by the sales tax ballot.

County Bridge and Road Improvement – accounts for state monies received for construction and/or improvement of bridges within the County.

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

Local Emergency Planning Committee – accounts for the receipt of funds from state and local governments and disbursed as restricted by the grant agreements.

Emergency Management Performance Grant – accounts for the receipt of federal funds to be disbursed as restricted by the grant agreements.

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

Sheriff Bond Fee – accounts for revenues from a fee charged to all persons who post a surety bond and are subsequently incarcerated. Disbursements are for any legal expense of the jail.

Sheriff Commissary – accounts for monies received from commissary sales in the county jail. Disbursements are for jail operations as defined by state statute.

Sheriff Reserves – accounts for revenues from donations provided to the Sheriff's office and disbursed for the purpose designated at the time of the donation.

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

Sheriff Forfeiture – accounts for revenue from distribution made by the District Attorney after settlement of forfeiture cases. Disbursements are for the maintenance and operations of the Sheriff's Drug Task Force.

County Clerk Lien Fee – accounts for revenues from fees charged by the County Clerk for filing liens. Disbursements are for any lawful expense of the County Clerk's office.

County Clerk Records Management and Preservation – accounts for fees collected for instruments filed with the County Clerk's office as restricted by state statute to be used for preservation of records.

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

Reward Fund – accounts for the revenue received from the Court Clerk for littering fines. Disbursement of funds as restricted by state statute.

Assessor Revolving Fee – accounts for the collection of fees for copies to be disbursed as restricted by state statute.

County Donations – accounts for donations received through the Board of County Commissioners and disbursed for the purpose designated at the time of the donation.

Convenience Center Fund – accounts for receipt and disbursement of funds received from the state and donations for the convenience center project.

COVID Aid and Relief – accounts for federal grant monies received from the Coronavirus Relief Fund for the reimbursement of COVID related expenditures. Disbursements are for any lawful purpose of the County as directed by Board of County Commissioners resolution.

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

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

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

recognized when the related liabilities are incurred. This regulatory basis financial presentation is not a comprehensive measure of economic condition or changes therein.

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

D. Budget

Under current Oklahoma Statutes, a general fund and a county health department fund are the only funds required to adopt a formal budget. On or before 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.

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.

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

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

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

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

C. Contingent Liabilities

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

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

D. Sales Tax

Sales Tax of September 15, 1992

On September 15, 1992, Ottawa County voters approved a permanent one-half cent county sales tax effective November 1, 1992. The purpose of the tax is for the construction, maintenance, and operation of a modern jail facility and operation of the Ottawa County Sheriff's Department. These funds are accounted for in the County General fund.

Sales Tax of November 3, 1998

On November 3, 1998, Ottawa County voters approved a permanent one-half cent sales tax effective January 1, 1999, for the construction, operation, and maintenance of the county road and bridge system of Ottawa County, Oklahoma. These funds are accounted for in the Roads and Bridges - ST fund.

Sales Tax of November 18, 2003

On November 18, 2003, Ottawa County voters approved a one-tenth of one percent (1/10 of 1%) county sales tax in perpetuity and effective on or after April 1, 2004, which is to be used to fund the fire departments in Ottawa County, for purposes including, but not limited to equipment, general operations, maintenance, training, and the construction of new fire department buildings or improvements to existing fire department buildings. These funds are accounted for in the Rural Fire - ST fund.

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

Sales Tax of December 13, 2005

On December 13, 2005, Ottawa County voters approved a one-fourth of one percent (1/4 of 1%) county sales tax for the sole purpose to pay for acquiring, constructing, equipping, repairing, renovating, operating, and maintaining county courthouse facilities for Ottawa County, Oklahoma, and to pay the principal and interest on indebtedness incurred on behalf of the County by the Ottawa County Governmental Building Authority for such purposes. The effective date of this tax is April 1, 2006, and shall expire and cease to be collected when sufficient funds have been collected from said levy to retire such indebtedness or on April 1, 2036, whichever shall occur earlier. These funds are accounted for in the County Building – ST fund.

E. Interfund Transfers

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

- \$1,228 was transferred from the County Highway Unrestricted fund to the County General fund to correct a prior year error correction.
- \$1,246 was transferred from the County Highway Unrestricted fund to the Resale Property fund to correct a prior year disbursement error.
- \$70,000 was transferred from the County Bridge and Road Improvement fund to the Emergency Transportation Revolving fund (a trust and agency fund) to repay a loan for road and bridge projects.
- \$1 was transferred from the MIDA Rawlins Sinking fund to the County General fund in accordance with 62 O.S. § 445.
- \$586,248 was transferred from the COVID Aid and Relief fund to the County General fund to correct a prior year disbursement error.
- \$36,280 was transferred from the COVID Aid and Relief fund to the County Highway Unrestricted fund to correct a prior year disbursement error correction.
- \$954,564 was transferred from the Emergency Transportation Revolving fund (a trust and agency fund) to the County Bridge and Road Improvement fund for road and bridge projects.
- \$120,758 was transferred from the Emergency Transportation Revolving fund (a trust and agency fund) to the County Highway Unrestricted fund for road and bridge projects.

SUPPLEMENTARY INFORMATION

OTTAWA COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—
BUDGETARY BASIS—GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	General Fund		
	Budget	Actual	Variance
District Attorney - State	\$ 45,000	\$ 44,999	\$ 1
County Sheriff	1,837,728	1,833,133	4,595
County Treasurer	160,236	158,743	1,493
County Commissioners	168,813	160,971	7,842
County Commissioners O.S.U. Extension	102,486	73,478	29,008
County Clerk	339,677	327,463	12,214
Court Clerk	482,927	474,662	8,265
County Assessor	82,163	80,836	1,327
Visual Inspection	222,119	222,119	-
General Government	2,077,056	464,055	1,613,001
Excise - Equalization Board	1,938	1,838	100
County Election Expense	166,947	161,929	5,018
Information Technology	50,000	2,544	47,456
Emergency Management	150,116	139,844	10,272
County Audit Budget Account	62,230	18,209	44,021
County Cemetary	400	-	400
Free Fair Budget Account	9,500	9,435	65
Total Expenditures, Budgetary Basis	<u>\$ 5,959,336</u>	<u>\$ 4,174,258</u>	<u>\$ 1,785,078</u>

OTTAWA COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—
BUDGETARY BASIS—HEALTH FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Health Fund		
	Budget	Actual	Variance
Health and Welfare	\$ 493,776	\$ 184,678	\$ 309,098
Total Expenditures, Budgetary Basis	\$ 493,776	\$ 184,678	\$ 309,098

**OTTAWA COUNTY, OKLAHOMA
NOTE TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

1. Budgetary Schedules

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

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**OTTAWA COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. DEPARTMENT OF JUSTICE			
Passed Through District Attorneys Council:			
COVID-19 Coronavirus Emergency Supplemental Funding Program	16.034	CESF 2020	\$ 23,452
Total U.S. Department of Justice			<u>23,452</u>
U.S. DEPARTMENT OF TRANSPORTATION			
Transfer to Bureau of Indian Affairs			
Direct Grant			
Highway Planning and Construction	20.205	A16AC00032 - Stateline	29,639
Total U.S. Department of Transportation			<u>29,639</u>
U.S. DEPARTMENT OF TREASURY			
Passed Through the Oklahoma Department of Emergency Management:			
COVID-19 Coronavirus Relief Fund	21.019	Oklahoma CARES PPE	11,556
Passed Through Oklahoma Office of Management and Enterprise Services:			
COVID-19 Coronavirus Relief Fund	21.019	4530-DR-OK; SA-2242	907,620
Total U.S. Department of Treasury			<u>919,176</u>
U.S. ENVIRONMENTAL PROTECTION AGENCY			
Passed Through the Oklahoma State Department of Health:			
Superfund State, Political Subdivision, and Indian Tribe			
Site-Specific Cooperative Agreements	66.802	Tar Creek	2,182
Total U.S. Environmental Protection Agency			<u>2,182</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed Through the Oklahoma Department of Emergency Management:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	PA-4315	19,158
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	PA-4438	191,627
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	PA-4453	42,535
Total U.S. Department of Homeland Security			<u>253,320</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,227,769</u></u>

OTTAWA COUNTY, OKLAHOMA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of Ottawa 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

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

Eligible Expenditures Incurred in the Prior Fiscal Year

On March 27, 2020, the President of the United States signed the COVID-19 Relief Bill into law. Ottawa County received \$919,176 in federal relief funds. The County incurred \$622,528 in eligible expenditures in the prior fiscal year ending June 30, 2020. These eligible expenditures were from March 16, 2020, through June 30, 2020, and were accounted for in the County's June 30, 2020, financial statements. Therefore, expenditures on the schedule of expenditures of federal awards for Assistance Listing (ALN) 21.019 – Coronavirus Relief Fund includes \$622,528 in eligible expenditures incurred in fiscal year ending June 30, 2020, and all eligible expenditures totaling \$296,648, that were incurred in the fiscal year ending June 30, 2021.

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
OTTAWA COUNTY, OKLAHOMA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the total—all county funds of the accompanying Statement of Receipts, Disbursements, and Changes in Cash Balances of Ottawa County, Oklahoma, as of and for the year ended June 30, 2021, and the related notes to the financial statement, which collectively comprise Ottawa County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated January 22, 2025.

Our report included an adverse opinion on the financial statement because the statement is prepared using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County as of and for the year ended June 30, 2021, on the basis of accounting prescribed by Oklahoma state law, described in Note 1.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered Ottawa County's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of Ottawa County's internal control. Accordingly, we do not express an opinion on the effectiveness of Ottawa 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 questioned costs that we consider to be material weaknesses: 2021-001, 2020-006, 2021-008, 2021-009, 2021-011, and 2021-015.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ottawa County's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2021-009 and 2021-015.

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

Ottawa County's Response to Findings

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

Purpose of this Report

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



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

January 22, 2025



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

TO THE OFFICERS OF
OTTAWA COUNTY, OKLAHOMA

Report on Compliance for Each Major Federal Program

We have audited the compliance of Ottawa County, Oklahoma, with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Ottawa County's major federal program for the year ended June 30, 2021. Ottawa 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 Ottawa County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Ottawa County's compliance.

Basis for Qualified Opinion on 21.019 Coronavirus Relief Fund

As described in Finding 2021-016 in the accompanying schedule of findings and questioned costs, Ottawa County did not comply with requirements regarding the following:

Finding #	Assistance Listing	Program (or Cluster) Name	Compliance Requirement
2021-016	21.019	Coronavirus Relief Fund	Activities Allowed or Unallowed; Allowable Costs/Cost Principles

Compliance with such requirements is necessary, in our opinion, for Ottawa County to comply with the requirements applicable to that program.

Qualified Opinion on 21.019 Coronavirus Relief Fund

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Ottawa County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on 21.019 Coronavirus Relief Fund for the year ended June 30, 2021.

Other Matters

Ottawa County's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Ottawa 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 Ottawa 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 Ottawa 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 Ottawa 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 2021-016, 2021-017, and 2021-018 that we consider to be material weaknesses.

Ottawa County's Response to Findings

Ottawa 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. Ottawa 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.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

January 22, 2025

**OTTAWA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

SECTION 1—Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:

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

Noncompliance material to the financial statement 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: Qualified

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

Assistance Listing Number(s)

21.019

Name of Federal Program or Cluster

Coronavirus Relief Fund

Dollar threshold used to distinguish between

Type A and Type B programs: \$750,000

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

**OTTAWA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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 2021-001 – Lack of County-Wide Controls and Disaster Recovery Plans (Repeat Finding – 2013-001, 2014-001, 2015-001, 2016-001, 2017-001, 2018-001, 2019-001, 2020-001)

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

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

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

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

Recommendation: The Oklahoma State Auditor & Inspector's Office (OSAI) recommends that the County design and implement a system of county-wide procedures to identify and address risks related to financial reporting and to ensure that information is communicated effectively. OSAI also recommends that the County design 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 all officials have a formal Disaster Recovery Plan for their office in order to maintain operations in the event of a disaster.

Management Response:

District 1 County Commissioner: Ottawa County has designed and implemented a Disaster Recovery Plan to ensure that all County Officials are aware of proper actions to maintain operations in the event of a disaster. We have implemented quarterly department head meetings to identify and assess risks related to financial reporting to ensure that information is communicated effectively and monitored over time. We will include these procedures in the County's Policies and Procedures Handbook.

District 2 County Commissioner: I was not in office at this time. I will work with the other elected officials to implement a system of county-wide procedures to identify and address risks related to financial reporting.

**OTTAWA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

These procedures will be written policy and procedures, and we will include them in the County's Policies and Procedures Handbook.

District 3 County Commissioner: I did not take office until January 2023; however, Ottawa County District 3 has implemented a Disaster Recovery Plan. Additionally, I will work with other elected officials to implement policy and procedures like quarterly risk meetings to address county-wide internal controls over Control Environment, Risk Assessment, Information and Communication, and Monitoring.

County Assessor: The Disaster Recovery Plan has been filed since 2022.

Court Clerk: I have a Disaster Recovery Plan in place now.

County Sheriff: As of this date, there is a Disaster Recovery Plan for the Sheriff's Office.

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

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

Definition of Internal Control

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

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

Components, Principles, and Attributes

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

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

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

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

**OTTAWA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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

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

Finding 2021-006 – Lack of Internal Controls and Material Misstatement Over the Financial Statement (Repeat Finding – 2016-006, 2017-006, 2018-006, 2019-006, 2020-006)

Condition: The County is responsible for preparing their annual financial statement, notes to the financial statements, and supplemental information. The County hired an independent CPA firm to prepare these required financial documents for fiscal year 2021. However, there is no indication the fiscal year 2021 financial statement, notes to the financial statements, and supplemental information were reviewed and approved by County officials prior to being submitted to OSAI.

Additionally, during the review and reconciliations of the financial statement and notes to the financial statement, as initially prepared by the County, it was noted that the County's financial statement and notes to the financial statement were materially misstated as follows:

- Beginning fund balance was overstated by \$337,972.
- Apportionments were overstated by \$28.
- Disbursements were understated by \$856,983.
- Ending fund balance was overstated by \$337,972.

Furthermore, Transfers In were understated by \$638,197 and Transfers Out were overstated by \$218,815.

Beginning and ending fund balances were overstated due to the County not carrying corrections made to the fiscal year 2017 financial statement to the fiscal year 2018, 2019, 2020, and 2021 financial statements. Apportionments were overstated due to the County combining a prior year fund with the County General fund and erroneously apportioning the same amount into the County General fund. Disbursements were understated due to the County incorrectly reporting disbursements as transfers and issuing \$857,009 for county road projects from the Emergency Transportation Revolving Fund (a trust and agency fund) and not from a county fund in error.

Cause of Condition Policies and procedures have not been designed and implemented to ensure the County's financial statement and notes to the financial statement, are prepared in a timely manner and are accurately presented.

Effect of Condition: These conditions resulted in:

- The financial statement and notes initially prepared by the County being misstated.

**OTTAWA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

- The County presenting a revised financial statement and notes.

Recommendation: OSAI recommends the County design and implement policies and procedures to ensure that the County's financial statement and notes to the financial statement are free from error and are timely presented.

Management Response:

Chairman of the Board of County Commissioners/District 1 Commissioner: Ottawa County has designed and implemented policies and procedures to ensure that the County's financial statement and notes to the financial statement are free from error and are timely presented to the Board of County Commissioner and approved during an open meeting.

District 2 Commissioner: I was not in office at this time. I will work with other county elected officials to implement policies and procedures to ensure that the County's financial statement and notes to the financial statement are free from error and timely presented.

District 3 Commissioner: I did not take office until January 2023; however, I will work with the other elected officials to implement better procedures to ensure financial statements are created timely and free of errors.

County Clerk: The County Clerk's office is continuously learning policies and procedures needed to ensure the County's financial statement and notes are accurate and free from error and are presented to the State Auditor's Office in a timely manner.

County Treasurer: The Treasurer is working to correct these issues.

Criteria: The limitations of the auditor are described in the American Institute of Certified Public Accountants Clarified Statements on Auditing Standards AU-C § 210, which states, in part: "The concept of an independent audit requires that the auditor's role does not involve assuming management's responsibility for the preparation and fair presentation of the financial statements or assuming responsibility for the entity's related internal control and that the auditor has a reasonable expectation of obtaining the information necessary for the audit insofar as management is able to provide or procure it. Accordingly, the premise is fundamental to the conduct of an independent audit."

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

**OTTAWA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

The County is required to present a financial statement for each fiscal year ended June 30. Title 19 O.S. § 171 states in part, "Unless the county elects to prepare its financial statement in accordance with Generally Accepted Accounting Principles as prescribed by the Governmental Accounting Standards Board, the county shall present their financial statements in a regulatory basis of accounting."

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

Data Processed into Quality Information

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

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

Finding 2021-008 – Lack of Internal Controls Over the Reconciliation of the Appropriation Ledger to the General Ledger (Repeat Finding – 2007-002, 2008-002, 2013-004, 2014-004, 2016-009, 2017-009, 2018-012, 2019-012, 2020-008)

Condition: The County Clerk did not perform a reconciliation of the appropriation ledger to the County Treasurer's general ledger on all county funds.

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

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

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

**OTTAWA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Management Response:

County Clerk: The County Clerk's office is currently reconciling all cash funds each month with the Treasurer's office.

County Treasurer: This has been corrected.

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

Internal Control System Monitoring

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

Finding 2021-009 – Lack of Internal Controls and Noncompliance Over Disbursements (Repeat Finding – 2018-013, 2019-013, 2020-009)

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

- The County does not have an adequate segregation of duties to ensure that duties assigned to individuals are done so in a manner that would not allow one individual to control both the recording function and the procedures relative to processing a transaction. The Purchasing Agent processed the warrants and had the ability to void warrants.
- Upon review of the computer systems within the County Clerk's office, it was noted that there does not appear to be adequate controls in place to safeguard data from unauthorized modification, loss, or disclosure. The specifics of the condition have been sanitized to protect the County pursuant to the provision of 51 O.S. § 24A.28.
- Requisitions are not always signed by the requisitioning officer prior to the purchasing or receipt of goods or services.

Further, a sample of fifty-nine (59) out of twenty thousand eight hundred ninety-six (20,896) expenditures reflected the following:

- Twenty (20) disbursements totaling \$927,010 were not charged to the proper fund and account.
- One (1) disbursement in the amount of \$2,093, did not have documentation indicating it was approved by the Board of County Commissioners (BOCC).
- Seven (7) disbursements totaling \$493,602 were not supported by adequate documentation.
- Sixteen (16) disbursements included items not charged to the proper period or items whose proper period could not be determined due to lack of documentation. Of the items which could be determined, \$92,862 was not charged to the proper period. An additional \$43,175 had incomplete documentation making the proper period indeterminable.

**OTTAWA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

- Nineteen (19) disbursements totaling \$209,390 were not encumbered prior to receiving goods or services.

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

Effect of Condition: These conditions resulted in noncompliance with state statutes and could result in unrecorded transactions, misstated financial records, undetected errors, misappropriation of funds, and a financial burden on the County. Additionally, this condition could result in compromised security for computer programs and data.

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

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

- Requisitions are signed by an approved requisitioning officer prior to the purchase of any goods or services.
- All expenditures are supported by adequate documentation and are issued for the proper amount.
- Funds are encumbered prior to the receipt of goods and/or services.
- All encumbrances are paid from funds designated for the purpose of the expenditure as required by state statutes or OSAI guidance.

OSAI further recommends the County comply with best practices presented in the criteria. The specifics of the recommendation have been sanitized to protect the County pursuant to the provision of 51 O.S. § 24A.28.

Management Response:

District 1 County Commissioner: Ottawa County's requisitions are now signed by an approved Requisitioning Officer prior to the purchase of goods or services. Currently all expenditures are supported by adequate documentation and are issued for the proper amount. Funds are encumbered prior to the receipt of goods and/or services. All encumbrances are paid from funds designated for the purpose of the expenditure as required by state statute and OSAI guidance.

District 2 County Commissioner: I was not in office at the time of these findings; however, I will work with the other Elected Officials to ensure that we are in compliance with state statutes that govern the disbursement process.

**OTTAWA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

District 3 County Commissioner: I did not take office until January 2023; however, I will work to implement better policies to ensure all purchasing guidelines are met.

County Clerk: The County Clerk's office is currently staffed with a Purchasing Agent who oversees that requisitions are accurately encumbered. The County Clerk or First Deputy oversees the Purchasing Agent to ensure policies and procedures are followed in accordance with state statute.

County Sheriff: This office will make sure a purchase order is encumbered prior to receipt of goods or services and that all timesheets are being signed and approved.

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

Objectives of an Entity – Compliance Objectives

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

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

Segregation of Duties

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

Additionally, Principle 10 - Segregation of Duties states:

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

10.13 – Segregation of duties helps prevent fraud, waste, and abuse in the internal control system. Management considers the need to separate control activities related to authority, custody, and accounting of operations to achieve adequate segregation of duties. In 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.

**OTTAWA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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

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

Title 68 O.S. § 3003 states in part, ... “The recipient government may encumber funds in an amount not to exceed the sum of the total letter of commitment, which is a binding commitment of funding which the recipient government will receive for the project or projects eligible for such federal funding. The encumbrance of funds authorized by this section shall be made in accordance with procedures prescribed by the State Auditor and Inspector and shall be administered in accordance with rules and regulations concerning such distribution adopted by the federal government and the state agency, board, or commission. Any expenditure incurred by the recipient government using the letter of commitment appropriation process and disallowed by the federal government or state agency, board, or commission administering the funds shall be paid by the recipient government.”

Title 74 O.S. § 214 states in part, “The State Auditor and Inspector shall prescribe a uniform system of bookkeeping for the use of all county officials to afford a suitable check upon their mutual acts and ensure a thorough inspection, and to ensure the safety of the state and county funds. He shall have full authority to prescribe a system of bookkeeping for all county officers which shall be in accordance with generally accepted accounting principles, as applied to governmental units, except when in conflict with Oklahoma Statutes, and when necessary, instruct, or cause to be instructed the state and county officers in the proper mode of keeping the accounts.”

Further, 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.

Finding 2021-011 – Lack of Internal Controls Over the Payroll Process (Repeat Finding – 2003-001, 2007-009, 2008-009, 2009-002, 2012-001, 2013-002, 2014-002, 2015-002, 2020-011)

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

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

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- Timesheets were not submitted to and retained in the County Clerk's office.
- The BOCC is signing the payroll affidavits thereby approving payroll; however, this approval is not done in an open meeting and is not recorded in the minutes of the BOCC.

Cause of Condition: Policies and procedures have not been designed and implemented over the payroll process.

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

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

OSAI also recommends all times records be submitted to and retained by the County Clerk's office to support payroll expenditures and to be accounted for as official documents of the County. OSAI further recommends all expenditures of the county be approved by the BOCC in an open meeting and the approval of such expenditures be reflected in the minutes of the meeting.

Management Response:

District 1 County Commissioner: Currently the documents and reports are on the Board of County Commissioners' agenda and are approved in an open meeting of the BOCC and documented in the minutes.

District 2 County Commissioner: I was not in office at this time. I am aware of these conditions and will ensure payroll verification reports and claims are reviewed, signed, and approved at the BOCC meetings. Timesheets will be adequately retained in the County Clerk's office.

District 3 County Commissioner: I did not take office until January 2023; however, District 3 submits all time calendars (same as timesheets) that are signed by the employee and supervisor to the County Clerk's office and the BOCC approves payroll in an open meeting and the minutes reflect such action.

County Clerk: The County Clerk's office is currently staffed with an employee who enrolls new hires. The First Deputy oversees the payroll process, and the County Clerk ensures payroll is accurate and is approved in the BOCC meetings.

Court Clerk: Timesheets are now provided to the County Clerk's office since being notified that they needed them.

County Sheriff: Timesheets are now being turned into the County Clerk's office in a timely manner. The Sheriff's Office was not responsible for the courthouse security timesheets.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

Internal Control System Monitoring

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

Appropriate documentation of transactions and internal control

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

Segregation of Duties

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

Additionally, Principle 10 - Segregation of Duties states:

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

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

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

Title 19 O.S. § 3 specifies that no one commissioner may enter into a contract or agreement or transact any business of county. Any contact or business transaction “done or attempted to be done, by an individual commissioner or commissioners, when not acting as a board shall ever be subject to ratification by the board of county commissioners, but shall be illegal, unlawful and wholly void.”

**OTTAWA COUNTY, OKLAHOMA
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According to Title 19 O.S. §§ 284 and 286 the County Clerk is the official record keeper of the County, and all official records of the County should be filed with the County Clerk.

Title 62 O.S. § 304.1 and 62 O.S. § 471, which provides guidance for the disbursement of public funds and the payment of personnel, require the board of county commissioners to approve the expenditure of all public funds.

Finding 2021-015 – Lack of Internal Controls and Noncompliance Over the Disbursements and Appropriation of County Sales Tax

Condition: Upon inquiry, observation, and review of sales tax collections and disbursements, we noted the following:

- Sales tax revenue that is appropriated to the County General fund is commingled with other revenue sources.
- The sales tax disbursements were not discretely presented within the County General fund. The County apportioned \$1,476,467 in sales tax collections to the County General fund during the fiscal year ended June 30, 2021. Due to the sales tax collections being commingled with other sources of revenue, OSAI could not determine the amount of sales tax monies expended from the County General fund.
- Per review of the County's financial statements, all sales tax monies apportioned to the County General fund are expended in the same year; however, this cannot be determined from the County's underlying financial records due to the commingling of sales tax revenues and disbursements with other monies.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure compliance with 68 O.S. § 1370E and AG Opinions.

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

Recommendation: OSAI recommends that the County sales tax apportioned to the County General fund be accounted for in separate accounts so as to discretely present the expenditures. In addition, the sales tax should be expended in such a manner to provide assurance that expenditures are made in accordance with the purposes specified by the ballot as outlined by 68 O.S. § 1370E and AG Opinions.

Management Response:

Chairman, Board of County Commissioners: Ottawa County sales tax is now apportioned to the County General fund in separate accounts to discretely present the expenditures. The Ottawa County sales tax is expended properly to ensure that all expenditures are made in accordance with the purposes specified by the ballot as outline by state statutes and AG opinion.

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County Clerk: The County Clerk's office currently reviews the financial statement to ensure sales tax within the County General fund has its own sub-account to reflect sales tax funds only.

Criteria: The GAO Standards – Section 2 – Objectives of an Entity - OV2.23 states in part:

Compliance Objectives

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

Further, GAO Standards – Principle 6 – Defined Objectives and Risk Tolerances - 6.05 states:

Definitions of Objectives

Management considers external requirements and internal expectations when defining objectives to enable the design of internal control. Legislators, regulators, and standard-setting bodies set external requirements by establishing the laws, regulations, and standards with which the entity is required to comply. Management identifies, understands, and incorporates these requirements into the entity's objectives. Management sets internal expectations and requirements through the established standards of conduct, oversight structure, organizational structure, and expectations of competence as part of the control environment.

Title 68 O.S. § 1370E requires the sales tax collections to be deposited in the general revenue or sales tax revolving fund of the County and be used only for the purpose for which such sales tax was designated.

Further, AG opinion 2005 OK AG 23 dated 07/13/2005 states:

“3. Proceeds of a county sales tax voted for a specific purpose but placed in the county's general fund must be accounted for as a discrete fund, and any surplus not needed for the stated purpose during one fiscal year must be transferred to the county budget for the next fiscal year, for the same specified purpose.”

Additionally, AG opinion 2014 OK AG 15 dated 10/31/2014 states:

“4. C. As the fiscal agent responsible for superintending the funds of Canadian County, the board of county commissioners is responsible to ensure that the sales tax proceeds are not intermingled and are used exclusively for the purpose expressed in the ballot measure and resolution. The board can direct that the funds be deposited in a dedicated revolving fund and not intermingled with other revenues. Okla. Const. art. X, § 19; 68 O.S. 2011, § 1370; 19 O.S. Supp. 2013, § 339; 19 O.S. 2011, § 345; Cavin v. Bd. of County Comm'rs, 1934 OK 245 ¶ 11, 33 P.2d 477, 479.”

**OTTAWA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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SECTION 3— Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Finding 2021-017 – Lack of County-Wide Controls Over Major Federal Program – Coronavirus Relief Fund

PASS-THROUGH GRANTOR: Oklahoma Department of Emergency Management and Oklahoma Office and Management and Enterprise Services

FEDERAL AGENCY: U.S. Department of Treasury

ASSISTANCE LISTING: 21.019

FEDERAL PROGRAM NAME: Coronavirus Relief Fund

FEDERAL AWARD NUMBER: Oklahoma CARES PPE; 4530-DR-OK; SA-2242

FEDERAL AWARD YEAR: 2021

CONTROL CATEGORY: Activities Allowed or Unallowed; Allowable Costs/Costs Principles; and Period of Performance

QUESTIONED COSTS: \$-0-

Condition: Through the process of gaining an understanding of the County's internal control structure for federal programs, it was noted that county-wide internal 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: 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, misappropriation of funds, and noncompliance with grant requirements.

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

Management Response:

District 1 County Commissioner: Ottawa County has implemented a system of internal controls to ensure compliance with the grant requirements.

District 2 County Commissioner: I was not in office at this time; however, I will work to implement a system of internal controls to ensure compliance with grant requirements.

District 3 County Commissioner: I did not take office until January 2023; however, District 3 will work to better understand all grant requirements to ensure compliance.

**OTTAWA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

County Clerk: The County Clerk's office is continuously learning policies and procedures needed to ensure the County's federal programs have adequate internal controls. The County Clerk's office will work on getting written internal control policies and procedures in place.

Criteria: 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

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

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

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

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

Finding 2021-2018 – Lack of Internal Controls Over Major Federal Program – Coronavirus Relief Fund

PASS-THROUGH GRANTOR: Oklahoma Department of Emergency Management and Oklahoma Office and Management and Enterprise Services

FEDERAL AGENCY: U.S. Department of Treasury

ASSISTANCE LISTING: 21.019

FEDERAL PROGRAM NAME: Coronavirus Relief Fund

FEDERAL AWARD NUMBER: Oklahoma CARES PPE; 4530-DR-OK; SA-2242

FEDERAL AWARD YEAR: 2021

CONTROL CATEGORY: Activities Allowed or Unallowed; Allowable Costs/Costs Principles; and Period of Performance

QUESTIONED COSTS: \$-0-

**OTTAWA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Condition: During the process of documenting the County's internal controls regarding federal disbursements, we noted that Ottawa County has not established procedures to ensure compliance with the following compliance requirements: Activities Allowed or Unallowed; Allowable Costs/Costs Principles and Period of Performance.

Submissions for reimbursement from the Coronavirus Relief Fund were not reviewed by the BOCC for Activities Allowed/Allowed Costs, or to ensure the expenses were incurred during the allowable period of performance.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure federal expenditures are made in accordance with federal grant compliance requirements.

Effect of Condition: This condition could result in noncompliance with grant requirements and could lead to the loss of federal funds to the County.

Recommendation: OSAI recommends the County gain an understanding of requirements for this program and implement internal control procedures to ensure compliance with all requirements.

Management Response:

District 1 County Commissioner: Ottawa County has implemented internal control procedures to ensure compliance with all requirements.

District 2 County Commissioner: I was not in office at this time; however, I will work to gain an understanding of grant requirements and implement internal controls to ensure compliance with those requirements.

District 3 County Commissioner: I did not take office until January 2023; however, District 3 will work to better understand all requirements of federal programs and implement better procedures to follow all guidelines to ensure compliance.

County Clerk: The County Clerk's office is continuously learning policies and procedures needed to ensure the County's federal programs have adequate internal controls. The County Clerk's office will work on getting written internal control policies and procedures in place.

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).

**OTTAWA COUNTY, OKLAHOMA
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2 CFR § 213 states, “Non-federal entities are subject to the non-procurement debarment and suspension regulations implementing Executive Orders 12549 and 12689, 2 CFR part 180. These regulations restrict awards, subawards, and contracts with certain parties that are debarred, suspended, or otherwise excluded from or ineligible for participation in Federal assistance programs or activities.”

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

Objectives of an Entity – Compliance Objectives

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

Finding 2021-016 – Noncompliance Over Major Federal Programs – Coronavirus Relief Fund - Activities Allowed or Unallowed; Allowable Costs/Costs Principles

PASS-THROUGH GRANTOR: Oklahoma Department of Emergency Management and Oklahoma Office and Management and Enterprise Services

FEDERAL AGENCY: U.S. Department of Treasury

ASSISTANCE LISTING: 21.019

FEDERAL PROGRAM NAME: Coronavirus Relief Fund

FEDERAL AWARD NUMBER: Oklahoma CARES PPE; 4530-DR-OK; SA-2242

FEDERAL AWARD YEAR: 2021

CONTROL CATEGORY: Activities Allowed or Unallowed and Allowable Costs/Costs Principles

QUESTIONED COSTS: \$477,097

Condition: Upon inquiry, review, and testwork of 100% of major program expenditures, the following exceptions were noted:

- The County was reimbursed \$477,097 for payroll expenditures which were determined to be unallowable costs to mitigate or prevent the spread of COVID-19 as required by the grant agreement.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure that the compliance with applicable grant requirements.

Effect of Condition: These conditions resulted in noncompliance with federal grant requirements. This could hinder the County from receiving future federal funding and could result in the repayment of grant funds to the grantor agency.

**OTTAWA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Recommendation: OSAI recommends the County gain an understanding of requirements for this program and design and implement policies and procedures to ensure compliance with all applicable grant requirements.

Management Response:

District 1 County Commissioner: Ottawa County has designed and implemented policies and procedures to ensure compliance with all applicable grant requirements.

District 2 County Commissioner: I was not in office at this time. This was a one-time grant.

District 3 County Commissioner: I did not take office until January 2023; however, District 3 will work to better understand all requirements of federal programs and implement better procedures to follow all guidelines and ensure compliance.

Criteria: 2 CFR § 200.403 - *Factors affecting allowability costs* states in relevant part,
Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:
(g) Be adequately documented.

42 United States Code § 801 – Coronavirus relief fund Section 801(d) requires the States, Tribal governments, or units of local government use the funds received to cover only those costs that (1) are necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19); (2) were not accounted for in the budget most recently approved as of March 27, 2020, for the State or government; and (3) were incurred during the period that begins on March 1, 2020, and ends on December 30, 2020.

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 2021-012 – Lack of Internal Controls and Noncompliance Over Cash Bonds (Repeat Finding)

Condition: The County was unable to provide adequate documentation to confirm that all cash bonds received were deposited with the County and paid out to the County Court Clerk or arresting agency as required by state statute.

Cause of Condition: Policies and procedures have not been designed and implemented for proper administration regarding the receiving and depositing of cash bonds and the retention of all cash bond records.

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Effect of Condition: This condition resulted in noncompliance with state statute and inaccurate and incomplete records. Additionally, this condition could result in the misappropriation of funds. Without adequate documentation, there is no way to determine that all cash bonds received were deposited with the County and paid out to the County Court Clerk or arresting agency as required by state statute.

Recommendation: OSAI recommends the County Sheriff design and implement policies and procedures to ensure all cash bonds are receipted, deposited, and remitted to the Court Clerk's office in a timely manner and adequate documentation supporting the receipt, deposit and remittance of cash bonds is retained.

Management Response:

County Sheriff: The Sheriff's Office will ensure all cash bonds are sequentially receipted, deposited, and remitted to the Court Clerk's office in a timely manner and will retain the same.

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

Accurate and timely recording of transactions

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

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

Objectives of an Entity – Compliance Objectives

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

Title 51 O.S. § 24A.4 states, "In addition to other records which are kept or maintained, every public body and public official has a specific duty to keep and maintain complete records of the receipt and expenditure of any public funds reflecting all financial and business transactions relating thereto, except that such records may be disposed of as provided by law."

Finding 2021-014 – Lack of Internal Controls and Noncompliance over Inmate Trust Fund Checking Account, and Sheriff Commissary Fund (Repeat Finding)

Condition: Upon inquiry and observation of the Inmate Trust Fund Checking Account and Sheriff Commissary Fund, the following exceptions were noted:

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

Inmate Trust Fund Checking Account:

- Collections are not deposited in the bank on a daily basis.
- There is no segregation of duties when one individual performs the receipt consolidation, collects the money from the kiosks, prepares the deposit slip and takes the money to the bank.
- No manual log of issued debit cards is kept nor are the debit cards issued in any sequential order.
- Policies and procedures have not been designed to track unclaimed funds.
- Expenditures are made from the Inmate Trust Fund Checking Account for purposes other than what is statutorily allowed.
- There are three Inmate Trust Fund Checking Accounts. Account #1 is an old account, Account #2 was the account used in fiscal year 2021 for the current inmate commissary vendor, and Account #3 was opened at the end of fiscal year 2021 in preparation for the changeover to a new commissary vendor.
 - Bank reconciliations were not performed on the Inmate Trust Fund Checking Account #1 in fiscal year 2021.
 - Bank reconciliation performed on Inmate Trust Fund Checking Account #2 were performed by the Inmate Commissary vendor and were not reviewed for accuracy or completeness by someone in the County Sheriff's office.
 - A bank reconciliation and listing of Inmate balances as of June 2021 for the Inmate Trust Fund Checking Account #2 could not be provided by the Sheriff's office.
 - A bank reconciliation was performed on Account #3 as of June 30, 2021. However, a list of Inmate Funds was not part of the Sheriff's office reconciliation, although it was provided for this new account.
 - Because the previous Account #2 was unreconciled, it is unknown if the start-up, the beginning balance for the new account was accurate.
- There is no oversight over the Inmate Trust Fund Checking Account bookkeeping processes to ensure completeness and accuracy.

Sheriff Commissary Fund:

- The County Sheriff's office does not file an annual report for the Sheriff Commissary with the Board of County Commissioners by January 15th of each year.
- The vendor contract does not appear to give the vendor bank account access, however, per review of the bank statements, it appears the vendor is making deposits into Inmate Trust Fund bank account. Additionally, the vendor contract does not appear to provide for bank reconciliations to be performed for Account #2 by the vendor, but rather a report to be provided.

Cause of Condition: Policies and procedures have not been designed and implemented for proper administration regarding the Inmate Trust Fund Checking Account and the Sheriff Commissary Fund.

Effect of Condition: These conditions resulted in noncompliance with state statutes. Also, without proper accounting and safeguarding of the Inmate Trust Fund Checking Account, there is an increased risk of misappropriation of funds.

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Recommendation: OSAI recommends the County Sheriff implement procedures to ensure:

- Bank reconciliations are performed on all bank accounts on a monthly basis.
- Reconciliations denote proof of review and approval by someone other than the preparer.
- The individual inmates' trust fund balances are reconciled to the bank statements each month.
- Daily collections are deposited into the Inmate Trust Fund Checking Account on a daily basis.
- Unclaimed funds are tracked.
- The County Sheriff files a report of the commissary with the County Commissioners by January 15th of each year in accordance with 19 O.S. § 180.43 (D).

Management Response:

County Sheriff: Collections are now being deposited daily. There is a two-person system now when dealing with monies obtained. We will begin keeping a manual log of issued debit cards and cards will be issued in sequential order. Expenditures will not be made that are not allowed by state statute. All bank accounts will have a monthly reconciliation and denote who prepared them and who reviewed them, and they will be reconciled to the individual inmates' trust fund balance. The commissary report will be filed annually with the BOCC. We will put procedures in place to track unclaimed funds.

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

Establishment of review of performance measurers and indicators

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

Segregation of duties

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

Accurate and timely recording of transactions

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

Additionally, GAO Standards – Principle 16 – Perform Monitoring Activities – 16.05 states in part:

Internal Control System Monitoring

Management performs ongoing monitoring of the design and operating effectiveness of the internal control system as part of the normal course of operations. Ongoing monitoring

**OTTAWA COUNTY, OKLAHOMA
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includes regular management and supervisory activities, comparisons, reconciliations, and other routine actions.

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

Objectives of an Entity – Compliance Objectives

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

Title 19 O.S. § 180.43(D) requires that an annual report of the Sheriff's Commissary be submitted to the Board of County Commissioners by January 15 of each year.

Title 19 O.S. § 531 A. states in part, "...The county sheriff may establish a checking account, to be designated the "Inmate Trust Fund Checking Account"... The county sheriff shall deposit all monies collected from inmates incarcerated in the county jail into this checking account and may write checks to the Sheriff's Commissary Account for purchases made by the inmate during his or her incarceration and to the inmate from unencumbered balances due the inmate upon his or her discharge."

Title 22 O.S. § 1325(F, H) provides guidance for the handling of unclaimed property or money in the County Sheriff's possession.

APPENDIX A

CORRECTIVE ACTION PLAN

(Prepared by County Management)



OFFICE OF

Ottawa County Commissioners

COURT HOUSE — MIAMI, OKLAHOMA
(918) 542-9408

Corrective Action Plan in accordance with 2 CFR § 200.511c for the fiscal year ended June 30, 2021

Finding No.	Title (Financial) or Assistance Listing No. (formerly CFDA No.) & Program Name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2021-001	Lack of County-Wide Controls and Disaster Recovery Plans (Repeat Finding – 2013-001, 2014-001, 2015-001, 2016-001, 2017-001, 2018-001, 2019-001, 2020-001)	The elected officials will work together to address county-wide internal controls over Control environment, Risk Assessment, Information and Communication, and Monitoring.	07/01/2023	Chad Holcomb, Ottawa County Emergency Management
2021-006	Lack of Internal Controls and Material Misstatement Over the Financial Statement (Repeat Finding – 2016-006, 2017-006, 2018-006, 2019-006, 2020-006)	The Board of County Commissioners is working with the other elected officials to implement policies and procedures to ensure the accurate and timely reporting of the county's financial statement and the notes to the financial statement.	01/31/2025	Mike Furnas, County Commissioner Robyn Mitchell, County Clerk, Kathy Bowling, County Treasurer
2021-008	Lack of Internal Controls Over the Reconciliation of the Appropriation Ledger to the General Ledger (Repeat Finding 2007-002, 2008-002, 2013-004, 2014-004, 2016-	Ottawa County Clerk is now balancing with the Ottawa County Treasurer's office.	07/01/2023	Robyn Mitchell, Ottawa County Clerk Kathy Bowling, Ottawa County Treasurer

	009, 2017-009, 2018-012, 2019-012, 2020-008)			
2021-009	Lack of Internal Controls and Noncompliance Over Disbursements (Repeat Finding: 2018-013, 2019-013, 2020-009)	Ottawa County Clerk's office is currently staffed with a Purchasing Agent who oversees that requisitions are accurately encumbered. The County Clerk and/or First Deputy oversees the Purchase Agent to ensure policies and procedures are followed in accordance with state statutes.	07/01/2023	Robyn Mitchell, Ottawa County Clerk
2021-011	Lack of Internal Controls Over the Payroll Process (Repeat Finding: 2003-001, 2007-009, 2008-009, 2009-002, 2012-001, 2013-002, 2014-002, 2015-002, 2020-011)	Ottawa County Clerk's office is currently staffed with an employee who enroll new hires. The First Deputy oversees the payroll and the County Clerk ensures payroll is accurate and approved in the Board of County Commissioners meeting. Timesheets are now submitted to the County Clerk's office.	07/01/2023	Robyn Mitchell, Ottawa County Clerk
2021-015	Lack of Internal Controls and Noncompliance over the Disbursements and Appropriation of County Sales Tax	The County Clerk and the County Treasurer review the financial statements to ensure sales tax within the General Fund has its own sub-account to reflect sales tax funds only.	01/31/2025	Robyn Mitchell, Ottawa County Clerk Kathy Bowling, Ottawa County Treasurer
2021-016	Noncompliance Over Major Federal Programs – Coronavirus Relief Fund - Activities Allowed or Unallowed and Allowable Costs/Costs Principle	The county will work to design and implement a system of internal controls to ensure compliance with all applicable grant requirements.	12/01/2024	Robyn Mitchell, Ottawa County Clerk
2021-017	Lack of County-Wide Controls Over Major Federal Program – Coronavirus Relief Fund	The county will work to design and implement a system of internal controls to ensure compliance with all applicable grant requirements.	12/01/2024	Robyn Mitchell, Ottawa County Clerk
	Lack of Internal Controls Over Major Federal	The county will work to design and implement a system of internal controls to ensure compliance with all applicable grant requirements.	12/01/2024	Robyn Mitchell, Ottawa County

2021-018	Program— Coronavirus Relief Fund			Clerk
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APPENDIX B

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

(Prepared by County Management)



OFFICE OF

Ottawa County Commissioners

COURT HOUSE — MIAMI, OKLAHOMA
(918) 542-9408

Summary Schedule of Prior Audit Findings in accordance with 2 CFR § 200.511b for the fiscal year ended June 30, 2021

FINANCIAL AUDIT FINDINGS

Finding 2013-001, 2014-001, 2015-001, 2016-001, 2017-001, 2018-001, 2019-001, 2020- 001

Lack of County-Wide Controls and Disaster Recovery Plans

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

Status: Not Corrected.

Finding 2016-006, 2017-006, 2018-006, 2019-006, 2020-006

Lack of Internal Controls Over the Financial Statement and Notes to the Financial Statement

Finding Summary: There is no indication the financial statement, notes to the financial statements, and supplemental information are reviewed for accuracy.

Status: Not Corrected.

Finding 2007-002, 2008-002, 2013-004, 2014-004, 2016-009, 2017-009, 2018-012, 2019-012, 2020-008

Lack of Internal Controls Over the Reconciliation of the Appropriation Ledger to the General Ledger

Finding Summary: The County Clerk did not perform a reconciliation of the appropriation ledger to the County Treasurer's general ledger on all county funds.

Status: Not corrected.

Finding 2018-013, 2019-013, 2020-09

Lack of Internal Controls and Noncompliance Over Disbursement Process

Finding Summary: Three (3) disbursements totaling \$643,657 were not supported by an invoice; therefore, we could not determine if they were allowable expenditures of the County, were made for the appropriate amount, and were charged to the proper period. Six (6) expenditures totaling \$913,872 were not charged to the proper fund due to three Emergency Transportation Revolving Fund loans totaling \$ 270,215 being paid from the County Bridge and Road Improvement fund, a county fund, instead of the Emergency Transportation Revolving Fund, a trust and agency fund, three expenditures totaling \$643,657 not being supported by an invoice, eight (8) expenditures totaling \$1,429,235, which included (5) five expenditures for federal project and (3) three expenditures without invoices, were not encumbered prior to receiving goods or services.

Status: Not corrected.

Finding 2003-001, 2007-009, 2008-009, 2009-002, 2012-001, 2013-002, 2014-002, 2015-002, 2020-011

Lack of Internal Controls Over the Payroll Process

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

County Clerk's office. The BOCC is signing the payroll affidavits thereby approving payroll; however, this approval is not done in an open meeting and is not recorded in the minutes of the BOCC.

Status: Not corrected.

FEDERAL AUDIT FINDINGS

Finding 2017-020, 2019-020, 2020-017

Lack of County-Wide Controls Over Major Federal Programs – Highway Planning and Construction

Federal Agency: U.S. Department of Transportation

Assistance Listing No: 20.205

Federal Program Name: Highway Planning and Construction

Federal Grant Award Number: BIA – A13AC00042 and A16AC00032

Federal Award Year: 2020

Control Category: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Period of Performance; Procurement and Suspension and Debarment; and Special Tests and Provisions.

Questioned Costs: \$-0-

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

Status: Not corrected.

Finding 2017-024, 2019-021, 2020-018

Lack of Internal Controls Over Major Federal Program – Highway Planning and Construction

Federal Agency: U.S. Department of Transportation

Assistance Listing No: 20.205

Federal Program Name: Highway Planning and Construction

Federal Grant Award Number: BIA – A13AC00042 and A16AC00032

Federal Award Year: 2020

Control Category: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Period of Performance; Procurement and Suspension and Debarment; and Special Tests and Provisions.

Questioned Costs: \$-0-

Finding Summary: Ottawa County has not established procedures to ensure compliance with the following compliance requirements: Activities Allowed or Unallowed; Allowable Costs/Costs Principles; Period of Performance; Procurement and Suspension and Debarment; Special Tests and Provisions.

Status: Not corrected.

Finding 2019-022, 2020-019

Noncompliance with Compliance Requirements: A – Activities Allowed or Unallowed and B – Allowable Costs/Costs Principles – Highway Planning and Construction

Federal Agency: U.S. Department of Transportation

Assistance Listing No: 20.205

Federal Program Name: Highway Planning and Construction

Federal Grant Award Number: BIA – A13AC00042 and A16AC00032

Federal Award Year: 2017

Control Category: Activities Allowed or Unallowed; Allowable Costs/Cost Principles

Questioned Costs: \$162,498

Finding Summary: Eight (8) invoices totaling \$989,434.94 could not be located. In addition to not being supported by an invoice, the County could not provide an approved, signed copy of purchase order 4709.

Status: Not corrected.



Cindy Byrd, CPA | State Auditor & Inspector

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