



OTTAWA COUNTY

Financial Report with ACE Engagement

For the fiscal year ended June 30, 2022

Cindy Byrd, CPA
State Auditor & Inspector

**OTTAWA COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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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, 2022. 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, 2022**

Board of County Commissioners

District 1 – Mike Furnas
District 2 – Larry McElhany
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, 2022**

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FINANCIAL SECTION



Independent Auditor's Report

TO THE OFFICERS OF
OTTAWA COUNTY, OKLAHOMA

Report on the Audit of the Financial Statement

Opinion

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, 2022, and the related notes to the financial statement.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the regulatory basis total receipts, disbursements, and changes in cash balances for all county funds of Ottawa County, as of and for the year ended June 30, 2022, in accordance with the financial reporting provisions of Title 19 O.S. § 171 of Oklahoma Statutes described in Note 1.

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 (U.S. GAAP) section of our report, the financial statement referred to above does not present fairly, in accordance with U.S. GAAP, the financial position of Ottawa County as of June 30, 2022, or changes in financial position for the year then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (*Government Auditing Standards*), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of Ottawa County, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our audit opinions.

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 U.S. GAAP to meet the requirements of the State of Oklahoma. The effects on the financial statement of the variances

between the regulatory basis of accounting described in Note 1 and U.S. GAAP, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management 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 prescribed or permitted by Oklahoma state law, 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.

In preparing the financial statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Ottawa County's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statement.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- obtain an understanding of internal control relevant to the audit 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 Ottawa County's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Ottawa County's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the total of all county funds on the financial statement. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statement. Such 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. The 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 GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statement.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated 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.



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, 2022

	Beginning Cash Balances July 1, 2021	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2022
County Funds:						
County General	\$ 2,829,774	\$ 5,015,874	\$ 33,333	\$ -	\$ 5,164,451	\$ 2,714,530
Health	395,306	305,527	-	-	244,262	456,571
Bureau of Indian Affairs (BIA) Stateline Road	1,545	-	-	-	-	1,545
County Highway Unrestricted	1,557,734	2,676,332	-	-	2,773,931	1,460,135
Roads and Bridges - ST	2,232,289	1,742,290	-	-	2,490,807	1,483,772
County Building - ST	990,484	800,516	-	-	453,444	1,337,556
Rural Fire - ST	426,624	319,599	-	-	235,859	510,364
County Bridge and Road Improvement	587,214	327,644	18,722	-	36,006	897,574
Resale Property	543,833	323,402	-	33,333	276,505	557,397
Local Emergency Planning Committee	5,820	-	-	-	-	5,820
Emergency Management Performance Grant	31,502	-	-	-	604	30,898
Sheriff Service Fee	146,803	262,486	6,880	-	213,824	202,345
Sheriff Bond Fee	6,573	836	-	6,880	529	-
Sheriff Commissary	26,770	133,713	-	-	119,694	40,789
Sheriff Reserves	731	-	-	731	-	-
Sheriff Forfeiture	3,192	-	-	-	458	2,734
County Clerk Lien Fee	23,287	9,934	-	-	5,744	27,477
County Clerk Records Management and Preservation	106,330	66,766	-	-	11,102	161,994
Treasurer Mortgage Certification	4,945	5,187	-	-	6,395	3,737
Reward Fund	1,379	69	-	-	-	1,448
Assessor Revolving Fee	16,927	1,606	-	-	5,303	13,230
County Donations	125,536	60,000	731	-	138,689	47,578
Convenience Center Fund	4,049	6,779	-	-	2,282	8,546
American Rescue Plan Act 2021	3,023,028	2,258	-	-	1,184,088	1,841,198
Tribal ARPA Funds	-	2,000,000	-	-	142,237	1,857,763
Total - All County Funds	\$ 13,091,675	\$ 14,060,818	\$ 59,666	\$ 40,944	\$ 13,506,214	\$ 13,665,001

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, 2022**

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 service 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.

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.

**OTTAWA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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.

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.

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.

OTTAWA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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.

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.

Tribal ARPA Funds – accounts for monies received from the Miami Tribe of Oklahoma and disbursed for needed equipment and repairs to the Ottawa County Jail.

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 (U.S. GAAP), which require revenues to be recognized when they become available and measurable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred. This regulatory basis financial presentation is not a comprehensive measure of economic condition or changes therein.

Title 19 O.S. § 171 allows Oklahoma counties to present their financial statement in accordance with 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.

**OTTAWA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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.

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."

**OTTAWA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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

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

3. Other Information

A. Pension Plan

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

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

B. Other Post Employment Benefits (OPEB)

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

C. Contingent Liabilities

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

**OTTAWA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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 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 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.

Sales Tax 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.

**OTTAWA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

E. Interfund Transfers

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

- \$33,333 was transferred from the Resale Property fund to the County General fund in accordance with 68 O.S. § 3137.
- \$18,722 was transferred from the Emergency Transportation Revolving Fund, (a trust and agency fund), the County Bridge and Road Improvement fund for road and bridge projects.
- \$731 was transferred from the Sheriff Reserves fund to the County Donations fund by Board of County Commissioners (BOCC) approved transfer resolution to establish a uniform system of bookkeeping in accordance with 74 O.S. § 214.
- \$6,880 was transferred from the Sheriff Bond Fee fund to the Sheriff Service Fee fund by the BOCC approved transfer resolution to establish a uniform system of bookkeeping in accordance with 74 O.S. § 214.

SUPPLEMENTARY INFORMATION

OTTAWA COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—
BUDGETARY BASIS—GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	General Fund		
	Budget	Actual	Variance
District Attorney - State	\$ 45,500	\$ 45,500	\$ -
County Sheriff	967,252	956,266	10,986
County Treasurer	180,573	180,573	-
County Commissioners	263,867	237,080	26,787
County Commissioners O.S.U. Extension	158,646	84,700	73,946
County Clerk	363,740	361,420	2,320
Court Clerk	508,165	476,007	32,158
County Assessor	133,520	131,977	1,543
Visual Inspection	248,141	248,099	42
General Government	1,778,181	1,485,176	293,005
Excise - Equalization Board	3,875	2,476	1,399
County Election Expense	174,511	165,771	8,740
Information Technology	25,000	23,314	1,686
Emergency Management	153,811	143,448	10,363
E-911	150,000	-	150,000
County Audit Budget Account	63,441	28,055	35,386
County Cemetary	400	-	400
Free Fair Budget Account	9,500	9,454	46
Sheriff - ST	1,675,905	1,518,208	157,697
Total Expenditures, Budgetary Basis	<u>\$ 6,904,028</u>	<u>\$ 6,097,524</u>	<u>\$ 806,504</u>

OTTAWA COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—
BUDGETARY BASIS—HEALTH FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Health Fund		
	Budget	Actual	Variance
Health and Welfare	\$ 625,857	\$ 298,832	\$ 327,025
Total Expenditures, Budgetary Basis	\$ 625,857	\$ 298,832	\$ 327,025

**OTTAWA COUNTY, OKLAHOMA
NOTE TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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.

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 (GAAS) 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, 2022, and the related notes to the financial statement, which collectively comprise Ottawa County's 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 (U.S. GAAP). 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, 2022, on the basis of accounting prescribed by Oklahoma state law, described in Note 1.

Report on 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.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses: 2022-001, 2022-008, 2022-009, and 2022-011.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies: 2022-004.

Report on 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 responses as items 2022-009.

We noted certain matters regarding statutory compliance that we reported to the management of Ottawa County, which are included in Section 2 of the schedule of findings and responses contained in this report.

Ottawa County's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Ottawa County's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. Ottawa County's response was not subjected to the other 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



Report on Compliance for the U.S. Department of Treasury Coronavirus State and Local Fiscal Recovery Funds Program (CSLFRF) Requirements for an Alternative CSLFRF Compliance Examination Engagement

Independent Accountant's Report

TO THE OFFICERS OF
OTTAWA COUNTY, OKLAHOMA

We have examined Ottawa County's compliance with the compliance requirements "activities allowed or unallowed" and "allowable cost/cost principles" (the specified requirements) as described in Part IV "Requirements for an Alternative Compliance Examination Engagement for Recipients That Would Otherwise be Required to Undergo a Single Audit or Program-Specific Audit as a Result of Receiving Coronavirus State and Local Fiscal Recovery Funds" of the CSLFRF section of the 2022 OMB *Compliance Supplement* (referred to herein as "Requirements for an Alternative CSLFRF Compliance Examination Engagement") during the year ended June 30, 2022. The County is responsible for compliance with the specified requirements. Our responsibility is to express an opinion on Ottawa County's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the AICPA; the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and in the "Requirements for an Alternative CSLFRF Compliance Examination Engagement." Those standards and requirements require that we plan and perform the examination to obtain reasonable assurance about whether Ottawa County complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether Ottawa County complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

Our examination does not provide a legal determination on Ottawa County's compliance with specified requirements.

Our examination disclosed material noncompliance with Activities Allowed/Unallowed and Allowable Costs/Costs Principles applicable to Ottawa County for the year ended June 30, 2022, which is described in the accompanying schedule of findings and responses as item 2022-016.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses in internal control; fraud, and

noncompliance with provisions of laws, regulations, contracts or grant agreements that have a material effect on Ottawa County's compliance with the specified requirements and any other instances that warrant the attention of those charged with governance. We are also required to obtain and report the views of responsible officials concerning the findings, conclusions, and recommendations, as well as any planned corrective actions. We performed our examination to express an opinion on Ottawa County's compliance with the specified requirements and not for the purpose of expressing an opinion on the internal control over the specified requirements or on compliance and other matters; accordingly, we express no such opinions. Our examination disclosed certain findings that are required to be reported under *Government Auditing Standards* and those findings, along with the views of responsible officials, are described in described in the accompanying schedule of findings and responses as item 2022-015.

Intended Purpose

The purpose of this examination report is solely to express an opinion on whether Ottawa County complied, in all material respects with the specified requirements referenced above during the year ended June 30, 2022. 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 RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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

Finding 2022-001 – Lack of County-Wide Controls (Repeat Finding – 2013-001, 2014-001, 2015-001, 2016-001, 2017-001, 2018-001, 2019-001, 2020-001, 2021-001)

Condition: Through the process of gaining an understanding of the County’s internal control structure, it was noted that county-wide controls regarding the 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 address county-wide internal controls.

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

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

Management Response:

District 1 County Commissioner: Ottawa County has designed and implemented a system of County-wide procedures to identify and address risks related to financial reporting. Ottawa County has implemented quarterly department head meetings to increase effective communication and to monitor these procedures to assess the quality of performance. Ottawa County will include these procedures in the County’s Policies and Procedures Handbook.

District 2 County Commissioner: I was not in office at this time. Ottawa County will implement a system of county-wide procedures to identify and address risks related to financial reporting and ensure that information is communicated effectively. The procedures will be written policies and procedures and may be included in the County’s policies and procedures.

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.

**OTTAWA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
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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.

Finding 2022-004 – Lack of Internal Controls and Material Misstatement Over the Financial Statement (Repeat Finding – 2016-006, 2017-006, 2018-006, 2019-006, 2020-006, 2021-006)

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 2022. However, there is no indication the fiscal year 2022 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 \$338,072.

**OTTAWA COUNTY, OKLAHOMA
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- Apportionments were overstated by \$33,368.
- Disbursements were overstated by \$14,611.
- Ending fund balance was overstated by \$338,072.

Furthermore, Transfers In were understated by \$44,831 and Transfers Out were understated by \$26,075.

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, 2021, and 2022 financial statements. Apportionments were overstated due to the County using a Cash Voucher Claim and Cash Voucher to apportion surplus resale in the Resale Property fund to the County General Fund instead of doing a residual transfer. Disbursements were overstated due to the County incorrectly reporting apportionments and disbursements as transfers and issuing \$18,722 in county expenditures from the Emergency Transportation Revolving fund, a trust and agency fund, instead of a county fund.

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.
- 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 presented in a timely manner to the BOCC.

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.

**OTTAWA COUNTY, OKLAHOMA
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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.

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.

**OTTAWA COUNTY, OKLAHOMA
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Finding 2022-008 – 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, 2021-008)

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, misappropriation of funds.

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

Management Response:

County Clerk: 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 2022-009 – Lack of Internal Controls and Noncompliance Over Disbursements (Repeat Finding – 2018-013, 2019-013, 2020-009, 2021-009)

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.

**OTTAWA COUNTY, OKLAHOMA
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- 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.

A sample of fifty-nine (59) out of twenty-one thousand three hundred seventy-nine (21,379) expenditures reflected the following:

- One (1) disbursement in the amount of \$18,722 was not charged to the proper fund and account.
- Two (2) disbursements totaling \$131,291 were not reviewed and authorized properly due to the encumbrance being approved for payment prior to the encumbrance date.
- Two (2) disbursements totaling \$1,125,000 were not made for the appropriate amount.
- Four (4) disbursements totaling \$1,162,112 were not supported by adequate documentation.
- Three (3) disbursements totaling \$1,133,179 were not charged to the proper period.
- Four (4) disbursements totaling \$49,034 were not encumbered prior to receiving goods or services.
- One (1) disbursement in the amount of \$80,000 was made to a vendor without being approved by the BOCC and Management.

Additionally, due to the County cancelling a warrant and reissuing a new warrant payable in the amount of \$80,000, we were unable to determine if the disbursement was made in accordance with state statute.

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 statute 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.

**OTTAWA COUNTY, OKLAHOMA
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- 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.
- Expenditures are paid in the proper period.

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 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 are paid in the proper period.

District 2 County Commissioner: I was not in office at this time. The County will implement a system of internal controls over the disbursement process.

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: We will work to ensure funds are encumbered prior to receiving good or services.

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.

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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.

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

**OTTAWA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
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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 2022-011 – 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, 2021-011)

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.

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.

Management Response:

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.

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

**OTTAWA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
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operating manuals, in either paper or electronic form. Documentation and records are properly managed and maintained.

Segregation of Duties

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

Additionally, Principle 10 - Segregation of Duties states:

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

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

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

SECTION 2—This section contains certain matters not required to be reported in accordance with *Government Auditing Standards*. However, we believe these matters are significant enough to bring to management’s attention. We recommend that management consider these matters and take appropriate corrective action.

Finding 2022-012 – 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.

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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.

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."

**OTTAWA COUNTY, OKLAHOMA
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Finding 2022-014 – 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:

Inmate Trust Fund Checking Account:

- Collections are not deposited in the bank on a daily basis.
- If a variance between the Inmate Trust ledger and the kiosk results in an excess deposit, there is not a log kept of the excess deposit while waiting for it to be identified to an inmate.
- 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.
- Inmate Trust Reconciliation is incomplete on current account:
- 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.
 - A bank reconciliation was performed on Account #3 on June 30, 2022. However, although a list of Inmate Funds was provided for this new account, it was not part of the Sheriff's office reconciliation. The Sheriff's office was not including all ledger accounts in their reconciliation and was not verifying that Inmate account balances reconcile to the ledger.
 - Bank reconciliations were not performed on the Inmate Trust Fund Checking Account #1 in fiscal year 2022.
 - Bank reconciliations were not performed on the Inmate Trust Fund Checking Account #2 in fiscal year 2022.
- On September 27, 2021, the Sheriff's office wrote checks from Account #1 and Account #2 to the Ottawa County Sheriff's Office and deposited the funds into the Sheriff's Commissary Account. The Accounts were closed at the bank in October 2021. The County was unable to provide documentation supporting the closure of these Inmate Trust bank accounts. Without reconciliations performed on the accounts, we were unable to determine if the amount is commissary profit.
- 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 the Inmate Trust Fund bank account.

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.

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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.

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. We will begin keeping a manual log of issued debit cards and cards will be issued in sequential order. We will begin keeping a log for any excess deposits made in the kiosk. We will obtain and retain documentation when bank accounts are closed. We will follow state statute for any unclaimed funds. 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.

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

Establishment of review of performance measures 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.

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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 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.

SECTION 3—Findings related to the Report on Compliance for the U.S. Department of Treasury Coronavirus State and Local Fiscal Recovery Funds Program (CSLFRF) Requirements for an Alternative CSLFRF Compliance Examination Engagement

Finding 2022-015 – Lack of Internal Controls Over Major Federal Program – Coronavirus State and Local Fiscal Recovery Funds

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, Control Activities: A – Activities Allowed or Unallowed and B – Allowable Costs/Costs Principles, Information and Communication, and Monitoring have not been designed.

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

District 2 County Commissioner: I was not in office at this time. I will work to gain an understanding of requirements for this program and implement internal control procedures to ensure compliance with all 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.

County Treasurer: The County Treasurer will work with other elected officials to fix this.

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).

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

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apply to the entity. Management is expected to set objectives that incorporate these requirements.

Finding 2022-016 – Lack of Internal Controls and Noncompliance Over Major Federal Program – Activities Allowed or Unallowed; Allowable Costs/Cost Principles – Coronavirus State and Local Fiscal Recovery Funds

Condition: The County expended \$1,326,325 in funds received for Coronavirus State and Local Fiscal Recovery Funds. After performing testwork on 100% of the County’s Coronavirus State and Local Fiscal Recovery Funds expenditures, we noted the following:

Due to the County canceling a warrant and reissuing a new warrant payable to a different vendor, without encumbering a new purchase order to support the warrant, we were unable to determine if one (1) disbursement totaling \$80,000 was made for Activities Allowed or Unallowable; Allowable Costs/Cost Principles.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure that the County has proper internal controls over federal grant expenditures and that the expenditures were for an allowable cost.

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

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 implemented internal controls to ensure compliance with all requirements.

District 2 County Commissioner: I was not in office at this time. The County will gain knowledge of these requirements and implement policies and procedures to ensure we are in compliance with all grant 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 and ensure compliance.

County Clerk: The County Clerk’s office will ensure contracts and agreements with entities are accurate and approved prior to payments being made. The County Clerk’s office is continuously learning policies

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and procedures need to ensure the County's federal programs have adequate internal controls. The County Clerk's office will work on getting 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).

2 CFR § 200.318 (a), *General procurement standards*, reads as follows:

The Non-Federal entity must use its own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this part.

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.



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