



OTTAWA COUNTY

Financial Report

For the fiscal year ended June 30, 2017

Cindy Byrd, CPA
State Auditor & Inspector

**OTTAWA COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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Cindy Byrd, CPA | State Auditor & Inspector

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March 21, 2022

TO THE CITIZENS OF
OTTAWA COUNTY, OKLAHOMA

Transmitted herewith is the audit of Ottawa County, Oklahoma for the fiscal year ended June 30, 2017. 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,

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

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



**OTTAWA COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Board of County Commissioners

District 1 – John Clark
District 2 – Chad Masterson
District 3 – Russell Earls

County Assessor

Becky Smith

County Clerk

Robyn Mitchell

County Sheriff

Jeremy Floyd

County Treasurer

Kathy Bowling

Court Clerk

Cassie Key

District Attorney

Kenny Wright

**OTTAWA COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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**OTTAWA COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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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 combined 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, 2017, 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, 2017, or changes in financial position for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash balances for all county funds of Ottawa County, for the year ended June 30, 2017, in accordance with the basis of accounting described in Note 1.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the combined total of all county funds on the financial statement. The 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 March 8, 2022, 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

March 8, 2022

REGULATORY BASIS FINANCIAL STATEMENT

OTTAWA COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS
(WITH COMBINING INFORMATION)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Beginning Cash Balances July 1, 2017	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2018
Combining Information:						
County General Fund	\$ 1,379,944	\$ 3,731,067	\$ 2,009	\$ -	\$ 3,784,008	\$ 1,329,012
County Health	392,791	255,086	-	-	299,241	348,636
Bureau of Indian Affairs (BIA) Highway	-	777,928	-	-	777,811	117
Highway	1,417,958	2,028,333	-	-	2,121,295	1,324,996
Highway 1/2 Cent Sales Tax	1,288,958	1,180,725	691	-	1,172,123	1,298,251
Courthouse Building Authority Sales Tax	559,306	585,579	-	-	545,413	599,472
MIDA Rawlins Sinking	27,541	850	-	2,009	26,350	32
Firefighters Sales Tax	295,613	237,321	-	-	288,599	244,335
Board of Prisoners	129,507	263,115	-	-	317,802	74,820
County Bridge and Road Improvement Fund	389,768	299,393	-	-	184,317	504,844
Resale	267,770	236,829	-	-	186,772	317,827
Local Emergency Planning Committee	2,000	-	-	-	-	2,000
Emergency Management Performance Grant	11,251	17,500	-	-	2,795	25,956
Sheriff Service Fee	192,014	388,075	-	-	476,488	103,601
Sheriff Bond Fee	7,466	14,709	-	-	209	21,966
Sheriff Commissary	57,883	141,962	-	-	155,720	44,125
County Clerk Lien Fee	9,558	9,773	-	-	11,862	7,469
County Clerk Preservation Fund	23,871	25,755	-	-	12,858	36,768
County Treasurer Mortgage Certification Fee	925	4,445	-	-	2,600	2,770
Littering Reward Fund	858	223	-	-	-	1,081
County Assessor Revolving	12,768	2,777	-	-	750	14,795
Tulsa Teachers Credit Union	25	-	-	-	-	25
Safe Room Project	31,938	41,749	-	-	73,409	278
Drug Court Forfeiture Cash Fund	-	18,000	-	-	682	17,318
Combined Total - All County Funds	\$ 6,499,713	\$ 10,261,194	\$ 2,700	\$ 2,009	\$ 10,441,104	\$ 6,320,494

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, 2017**

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 as combining information within the financial statement:

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

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

Bureau of Indian Affairs (BIA) Highway – 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.

Highway – 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, 2017**

Highway ½ Cent Sales Tax – accounts for the collection 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.

Courthouse Building Authority Sales Tax – accounts for the collection 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 and interest earnings. Disbursements are for the payment of principal and interest on bonds and judgments against the County.

Firefighters Sales Tax – accounts for the collection of sales tax revenue and disbursement of funds are for general operation, maintenance, training, and construction of new fire department buildings or improvements to existing fire department buildings as restricted by the sales tax ballot.

Board of Prisoners – accounts for revenues from fees charged for boarding prisoners of non-county entities in the county jail. Disbursements are for feeding and housing inmates of the county jail as restricted by state statute.

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

Resale – 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 agreement.

Sheriff Service Fee – accounts for the collection and disbursement of sheriff process service fees and Court Clerk fees as restricted by state statute.

Sheriff Bond Fee – revenues are 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.

**OTTAWA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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 Preservation Fund – 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.

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

Littering Reward Fund – accounts for the revenue received from the Court Clerk for littering fines. Disbursement of funds as restricted by Title 22 O.S. § 1334.

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

Tulsa Teachers Credit Union – accounts for county funds on deposit with the Tulsa Teachers Credit Union (TTCU) in order for the Sheriff to obtain a TTCU credit card for travel purposes.

Safe Room Project – accounts for federal grant revenues and expenditures for the Safe Room Reimbursement Project.

Drug Court Forfeiture Cash Fund – 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.

C. Basis of Accounting

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

Title 19 O.S. § 171 specifies the format and presentation for Oklahoma counties to present their financial statement in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) or on a regulatory basis. The County has elected to present their financial statement on a regulatory basis in conformity with Title 19 O.S. § 171. County governments (primary only) are required to present their financial statements on a fund basis format with, at a minimum, the general fund and all other county funds, which represent ten percent or greater of total county revenue with all other funds included in the audit presented in the aggregate in a combining statement. However, the County has elected to present all funds included in the 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, 2017**

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, 2017**

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

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

3. Other Information

A. Pension Plan

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

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

B. Other Post Employment Benefits (OPEB)

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

C. Contingent Liabilities

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

**OTTAWA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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. Long-Term Obligations

1. General Obligation Bonds

The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. Debt service on the bonds will be paid from ad valorem taxes levied and assessed on behalf of the issuer and deposited to the Sinking Fund.

County General Obligation Limited Tax Bonds of 1987 – bonds in the amount of \$400,000 were issued July 1, 1987, to provide funds for the purpose of securing and developing industry within Ottawa County.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds are required to be fully paid within 25 years from the date of issue. General obligation bonds currently outstanding are as follows:

Purpose	Interest Rate	Original Amount
Ottawa County General Obligation Bonds of 1987	6.00 %	\$400,000

During fiscal year 2017, payments included \$25,000 for principal and \$1,350 interest. The bonds were paid in full and there are no further payments due.

E. Sales Tax

On September 15, 1992, Ottawa County voters approved a permanent one-half cent sales tax. The purpose of the tax is the construction, maintenance, and operation of a modern jail facility and operation of the Ottawa County Sheriff's Department. The one-half cent sales tax is apportioned to the County General Fund.

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. The one-half cent sales tax is apportioned to the Highway ½ Cent Sales Tax fund.

**OTTAWA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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 Firefighters Sales Tax fund.

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 be earlier. These funds are accounted for in the Courthouse Building Authority Sales Tax Fund.

F. Interfund Transfers

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

- \$2,009 was transferred from MIDA Rawlins Sinking fund to the County General Fund in accordance with 62 O.S. § 445.
- \$691 was transferred from the Emergency and Transportation Revolving fund (a trust and agency fund) to the Highway ½ Cent Sales Tax fund for the purpose of funding county road and bridge projects.

G. Special Items

Investigative Audit

The State Auditor and Inspector's Office conducted a special investigative audit of the Ottawa County Sheriff's Office for the period of July 1, 2016 through June 30, 2019. It was noted that the overall fiscal management of the Sheriff's Department contributed to the need for the Sheriff to receive supplemental appropriations of almost \$435,000 between July 1, 2016 and June 30, 2019. These findings will not have a material effect on the basic financial statement for the year ending June 30, 2017.

SUPPLEMENTARY INFORMATION

OTTAWA COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—
BUDGETARY BASIS—GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	General Fund		
	Budget	Actual	Variance
District Attorney	\$ 5,000	\$ 132	\$ 4,868
County Sheriff	1,758,876	1,755,971	2,905
County Treasurer	156,949	156,825	124
County Commissioners	143,191	138,334	4,857
County Commissioners O.S.U. Extension	82,521	68,582	13,939
County Clerk	330,956	330,956	-
Court Clerk	406,156	379,210	26,946
County Assessor	74,784	74,535	249
Revaluation of Real Property	223,631	223,631	-
General Government	1,010,963	334,812	676,151
Excise - Equalization Board	2,238	1,776	462
County Election Expense	152,784	139,392	13,392
Emergency Management	77,461	75,401	2,060
County Audit Budget Account	15,856	1,900	13,956
Free Fair Budget Account	9,500	9,458	42
Total Expenditures, Budgetary Basis	\$ 4,450,866	\$ 3,690,915	\$ 759,951

OTTAWA COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—
BUDGETARY BASIS—HEALTH FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Health Fund		
	Budget	Actual	Variance
Health and Welfare	\$ 563,767	\$ 306,680	\$ 257,087
Total Expenditures, Budgetary Basis	\$ 563,767	\$ 306,680	\$ 257,087

**OTTAWA COUNTY, OKLAHOMA
NOTE TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

1. Budgetary Schedules

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

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**OTTAWA COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
U.S DEPARTMENT OF TRANSPORTATION			
Transfer To Bureau of Indian Affairs			
Direct Grant			
Highway Planning and Construction	20.205	A13AC00042-Cayuga Road	\$ 178,422
Highway Planning and Construction	20.205	A15AC00038-EW 110 Road	424,533
Highway Planning and Construction	20.205	A16AC00032-Stateline Road	84,651
Passed Through the Oklahoma Department of Transportation:			
Highway Planning and Construction	20.205	ERSTP-258C9(031)ER	203,093
Total CFDA 20.205			<u>890,699</u>
Passed Through the Oklahoma Highway Safety Office:			
State and Community Highway Safety	20.600	PT-16-03-99-00	3,743
Total U.S. Department of Transportation			<u>894,442</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed Through the Oklahoma Department of Emergency Management:			
Hazard Mitigation Grant	97.039	HM-4222	71,409
Emergency Management Performance Grants	97.042	EMPG 16, EMPG 17	2,795
Total U.S. Department of Homeland Security			<u>74,204</u>
Total Expenditures of Federal Awards			<u>\$ 968,646</u>

**OTTAWA COUNTY, OKLAHOMA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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).

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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined total—all funds of the accompanying Statement of Receipts, Disbursements, and Changes in Cash Balances (with Combining Information) of Ottawa County, Oklahoma, as of and for the year ended June 30, 2017 and the related notes to the financial statement, which collectively comprises Ottawa County’s basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated March 8, 2022.

Our report included an adverse opinion on the financial statement because the statement is prepared using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County for the year ended June 30, 2017, on the basis of accounting prescribed by Oklahoma state law, described in Note 1.

In planning and performing our audit of the financial statement, we considered Ottawa County’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of 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: 2017-001, 2017- 006, and 2017-009.

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 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 the financial statement and, accordingly, we express no opinion on the response.

Purpose of this Report

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



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

March 8, 2022

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

TO THE OFFICERS OF
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, 2017, 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.

Opinion on Each Major Federal Program

In our opinion, Ottawa County, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2017.



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 2017-020 and 2017-024, 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

March 8, 2022

**OTTAWA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

SECTION 1—Summary of Auditor’s Results

Financial Statements

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

Internal control over financial reporting:

- Material weakness(es) identified?..... Yes
- Significant deficiency(ies) identified? No

Noncompliance material to the financial statement noted? No

Federal Awards

Internal control over major program:

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

Type of auditor's report issued on
compliance for major program: Unmodified

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 Program

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction

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, 2017**

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 2017-001 - Lack of County-Wide Internal Controls and Disaster Recover Plans (Repeat Finding – 2007-3, 2008-3,2013-1, 2014-1,2015-1, 2016-001)

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

- County-wide internal controls regarding 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 that all county offices have a Disaster Recovery Plan.

Effect of Condition: Without an adequate system of county-wide internal 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 and 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: Although I was not in office during this fiscal year, I will work with the other elected officials to implement quarterly meetings to address county-wide internal controls over Risk Assessment, Information and Communication, and Monitoring. Additionally, the BOCC will take a more active role in ensuring the County’s financial statements are prepared in a timely manner and are accurate and free from error. Furthermore, the County is working to ensure that all county offices have created and implemented a Disaster Recovery Plan.

**OTTAWA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

District 2 County Commissioner: My tenure as an Ottawa County Commissioner started on January 1, 2021. Though I appreciate the information, I can only commit to correct any policies or practices going forward.

Chairman of the Board of County Commissioners/District 3 County Commissioner: I will work with the other elected officials to implement quarterly meetings to address county-wide internal controls over Risk Assessment, Information and Communication, and Monitoring. Additionally, the BOCC will take a more active role in ensuring the County's financial statements are prepared in a timely manner and are accurate and free from error. Furthermore, the County is working to ensure that all county offices have created and implemented a Disaster Recovery Plan.

County Assessor: We are currently working on a Disaster Recovery Plan.

Court Clerk: I am in the process of developing a Disaster Recovery Plan for my office.

County Sheriff: I was not in office at this time. I am going to contact Association of County Commissioners of Oklahoma (ACCO) and attempt to get a template for a Disaster Recovery Plan and begin working on this.

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.

**OTTAWA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

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 2017-006 - Inadequate Internal Controls Over the Financial Statement, Notes to the Financial Statement, Supplemental Information, and Underlying Financial Records (Repeat Finding 2016-006)

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 2017. However, there is no indication the fiscal year 2017 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 statements and notes to the financial statements, as initially prepared by the County, it was noted that the County's financial statement was materially misstated as follows:

- Apportionments were overstated \$11.
- Disbursements were overstated \$9,774.
- Beginning fund balance was overstated \$4,897,659.
- Ending fund balance was overstated \$335,627.
- Transfers in and transfers out were overstated \$168,297 and \$4,702,567, respectively.

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

Effect of Condition: These conditions resulted in the County's fiscal year 2017 financial statement being materially misstated.

Recommendation: OSAI recommends the County design and implement policies and procedures to ensure the financial statement, notes to the financial statement, and supplemental information are prepared in a timely manner, reviewed for accuracy and completeness, and approved by management.

**OTTAWA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Management Response:

Chairman of the Board of County Commissioners: The fiscal year 2017 financial statement beginning balance was materially overstated due to a fiscal year 2016 error in drawing down \$4,533,552 federal funds. Since the funds should not have been drawn down, they should have been placed in a trust and agency fund until the Federal government retrieved them instead of being placed in a county fund. The other errors noted on the financial statements were due to the incorrect classification of trust and agency funds as county funds and the incorrect reporting of error corrections. Additionally, the BOCC is working to implement policies and procedures to ensure the accurate and timely reporting of the County's financial statements, notes to financial statements, and supplemental information.

County Clerk: The fiscal year 2017 financial statement beginning balance was materially overstated due to a fiscal year 2016 error in drawing down \$4,533,552 federal funds. Since the funds should not have been drawn down, they should have been placed in a trust and agency fund until the Federal government retrieved them instead of being placed in a county fund. The County will implement policies and procedures to ensure the financial statement, notes to the financial statement and supplemental information are prepared in a timely manner, reviewed for accuracy and completeness.

County Treasurer: The fiscal year 2017 financial statement beginning balance was materially overstated due to a fiscal year 2016 error in drawing down \$4,533,552 federal funds. Since the funds should not have been drawn down, they should have been placed in a trust and agency fund until the Federal government retrieved them instead of being placed in a county fund. The other errors noted on the financial statements were due to the incorrect classification of trust and agency funds as county funds and the incorrect reporting of error corrections. Additionally, I will work with the other elected officials to implement policies and procedures to ensure the accurate and timely reporting of the County's financial statements, notes to financial statements, and supplemental information.

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, 2017**

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 2017-009 - Inadequate Internal Controls Over the Reconciliation of the Appropriation Ledger to the General Ledger (Repeat Finding – 2016-009)

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

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.

Management Response:

County Clerk: We now reconcile the appropriation ledger to the general ledger on a monthly basis.

**OTTAWA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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.

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

Finding 2017-020 - Inadequate County-Wide Controls Over Major Federal Program – Highway Planning and Construction

PASS-THROUGH GRANTOR: Oklahoma Department of Transportation

FEDERAL AGENCY: U.S. Department of Transportation

CFDA NO: 20.205

FEDERAL PROGRAM NAME: Highway Planning and Construction

FEDERAL AWARD NUMBER: BIA – A13AC00042, A15AC00038, A16AC00032; ODOT – ERSTP-258C(031)ER

FEDERAL AWARD YEAR: 2017

CONTROL CATEGORY: Activities Allowed or Unallowed; Allowable Costs/Costs Principles; Cash Management; Period of Performance; Procurement and Suspension and Debarment; Special Tests and Provisions.

QUESTIONED COSTS: \$-0-

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

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:

Chairman of the Board of County Commissioners: The County will work to design and implement a system of internal controls to ensure compliance with all applicable grant requirements.

**OTTAWA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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 quasigovernmental 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 2017-024 - Inadequate Internal Controls Over Major Federal Program– Highway Planning and Construction

PASS-THROUGH GRANTOR: Oklahoma Department of Transportation

FEDERAL AGENCY: U.S. Department of Transportation

CFDA NO: 20.205

FEDERAL PROGRAM NAME: Highway Planning and Construction

FEDERAL AWARD NUMBER: BIA – A13AC00042, A15AC00038, A16AC00032; ODOT – ERSTP-258C(031)ER

FEDERAL AWARD YEAR: 2017

CONTROL CATEGORY: Activities Allowed or Unallowed; Allowable Costs/Costs Principles; Cash Management; Period of Performance; Procurement and Suspension and Debarment; Special Tests and Provisions.

QUESTIONED COSTS: \$-0-

**OTTAWA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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; Cash Management; Period of Performance; Procurement and Suspension and Debarment; Special Tests and Provisions.

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:

Chairman of the Board of County Commissioners: The County will work to design and implement a system of internal controls to ensure compliance with all applicable grant requirements.

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

**OTTAWA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

SECTION 4—This section contains a certain matter not required to be reported in accordance with *Government Auditing Standards*. However, we believe this matter is significant enough to bring to management’s attention. We recommend that management consider this matter and take appropriate corrective action.

Finding 2017-012 - Inadequate 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:

- One employee is responsible for accessing and balancing lock box collections, reconciling collections from the front window or mail to receipts issued, accessing safe where daily collections are maintained, preparing and reconciling weekly deposit ticket, updating inmates’ account balances with credits and deductions, performing monthly bank reconciliation, issuing checks from the Inmate Trust Fund Checking Account.
- On April 16, 2018, \$1,705 was maintained in an unlocked cabinet within the jail instead of being secured or on deposit in the Inmate Trust Fund Checking Account.
- Collections are not deposited in the bank on a daily basis.
- There are no controls in place to ensure access to the safe, where collections are held, is restricted. The County has no idea who has the combination to the safe.
- Bank reconciliations are not signed by the preparer and have no indication of being reviewed and approved by someone other than the preparer.
- Individual inmate balances are not reconciled back to the Inmate Trust Ledger balance used in the Inmate Trust Fund Checking Account bank reconciliation; there was an unknown variance of \$21,626.
- The June 30, 2017, bank reconciliation included:
 - Unexplained adjustments of \$8,290.
 - Outstanding checks from as far back as 2010.
- Policies and procedures have not been designed to track unclaimed funds.
- Inmates are allowed to make purchases in excess of funds the individual inmate has available resulting in a negative ledger balance.
- Other employees are able to log into the commissary system using the Records and Commissary Administrator’s credentials; thereby, overriding any access restrictions.

Sheriff Commissary Fund:

- The County Sheriff’s office does not file an annual report for the Sheriff Commissary Fund with the Board of County Commissioners by January 15th of each year.

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.

**OTTAWA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Effect of Condition: These conditions resulted in noncompliance with state statutes. Without proper accounting and safeguarding of the Inmate Trust Fund Checking Account, there is an increased risk of undetected errors and possible 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 further recommends the County Sheriff implement procedures to ensure:

- All money coming in with an inmate at booking is deposited into the Inmate Trust Fund Checking Account in accordance with Title 19 O.S. § 531.
- Daily collections are deposited into the Inmate Trust Fund Checking Account on a daily basis.
- All collections are maintained in a secure location with limited access.
- Bank reconciliations are performed on a monthly basis, indicate proof of review and approval by someone other than the preparer, and any variances are explained.
- Individual inmate balances are reconciled to the Inmate Trust Fund Ledger balance and any variances are explained.
- Unclaimed funds are tracked.
- Inmates cannot spend more than they have available.
- Individual system access credentials are not shared.
- The County Sheriff files a report of the commissary with the Board of County Commissioners by January 15th, of each year in accordance with 19 O.S. § 180.43 (D).

Management Response:

County Sheriff: I did not take office until January of 2021. We use a different Inmate Trust Commissary vendor now for the inmate trust fund and commissary accounts. We now have one employee that takes the money out of both lockboxes and works with another employee to match the funds with the receipts from the lockboxes and reconcile with the vendor reports. When an inmate is booked in, their money is placed into a lockbox provided by commissary vendor and their system keeps track of the amounts. Deposits are now made on a daily basis unless it is after banking hours in which case the funds are locked in a safe located in the office manager's office. This office is locked after hours and the safe combination is known by office employees only.

We no longer accept money from the front window or through the mail. When inmates are released, they are issued a debit card and not a check. The only time a check is written is when an inmate is transferred to prison due to the prison not accepting debit cards. Additionally, we no longer allow inmates to run their commissary balances in the negative and have restricted access to the commissary and inmate trust fund checking account to office personnel. The only action the jailers can make in the Inmate Trust Fund system is to add money to the individual inmate's account in the system.

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Bank reconciliations are now being signed by the preparer and then reviewed and approved by the office manager. The variances, adjustments, and outstanding checks noted with in the bank reconciliations were all noted well before I took office.

Although we will not be going back to prepare old reports, we have received the support documentation to prepare the report that will be presented to the BOCC on an annual basis.

Criteria: Component objectives of effective internal control systems are to deter and detect fraud and to provide accurate and reliable information. Internal controls are designed to safeguard assets and to analyze and check accuracy, completeness, and authorization of transactions. Failure to perform tasks that are part of internal controls, such as segregating duties or implementing compensating reviews, performing bank reconciliations accurately and timely, and maintaining records in a manner to ensure compliance with state statutes and/or to minimize the risk of misappropriation, are deficiencies in internal control.

The GAO Standards – Principal 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 – 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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Furthermore, GAO Standards – Section 2 – Establishing an Effective Internal Control System – OV2.24 states in part:

Safeguarding of Assets

Management designs an internal control system to provide reasonable assurance regarding prevention or prompt detection and correction of unauthorized acquisition, use, or disposition of an entity's assets.

Title 19 O.S. § 531 states, “The county sheriff shall deposit all monies collected from inmates incarcerated in the county jail into the Inmate Trust Account, and further states that checks can only be written to Sheriff’s Commissary Account for purchases and to the inmate from unencumbered balances upon discharge.”

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

APPENDIX A

CORRECTIVE ACTION PLAN

(Prepared by County Management)

	Planning and Construction	with all applicable grant requirements.		
2017-024	20.205 – Highway Planning and Construction	The County will work to design and implement a system of internal controls to ensure compliance with all applicable grant requirements.	December 31, 2022	Russell Earls

APPENDIX B

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

(Prepared by County Management)

Finding Summary: Two bank accounts (Tulsa Teacher's Credit Union and EFTPS) were not recorded on the County Treasurer's General Ledger and were not receiving monthly bank reconciliations. Additionally, the NADING official depository investment was closed, but was still listed on the general ledger, causing the general ledger to be overstated by \$18,944.39

Status: Partially corrected. Both of the bank accounts are accounted for on the County Treasurer's General Ledger and the NADING official depository investment has been removed from the County Treasurer's General Ledger. However, a bank reconciliation is still not being performed on the Tulsa Teacher's Credit Union bank account.

Finding 2013-008, 2014-007, 2015-005

Violation of Oklahoma Open Records Act

Finding Summary: On or about June 13th, 2016, OSAI requested a sample of fiscal year 2013, 2014, and 2015 expenditures to examine. Of the two hundred and one (201) expenditures selected to test, one hundred and twenty-four (124) were payroll expenditures. When OSAI attempted to obtain the support documentation for the payroll expenditures, the payroll claims and payroll affidavits for one hundred and twenty-three (123) of the payroll expenditures could not be located in the County Clerk's files as follows:

- Twenty-eight (28) for fiscal year 2013,
- Forty (40) for fiscal year 2014, and
- Fifty-five (55) for fiscal year 2015.
-

When the Clerk's deputies were unable to locate the documentation, the first deputy stated she would ask the Clerk (who was working from home) if she knew where the documentation was. OSAI was not notified whether or not the Clerk knew where the documentation was.

On June 30th, 2016, the day after the County primary elections, an OSAI auditor encountered the Clerk returning documents to the courthouse. Upon inquiry, the auditor learned that the Clerk was returning county documents from her home, including the payroll claims and affidavits that were missing. The Clerk stated that she had taken this documentation home because she wanted to make them look "nice and neat" for the auditors.

Status: Fully corrected. All records were available for fiscal year 2017.

Finding 2013-009, 2014-008, 2015-006

Conflict of Interest – Holding of Dual Offices

Finding Summary: The County Clerk was hired by the E-911 Trust Authority to serve as the Authority's Clerical Administrator. Her duties for the Authority consist of preparing payroll, agendas, deposit, bank reconciliations, and any and all correspondence; maintaining accounts payable and files for history and audit purposes; assisting with the budget process; and taking minutes of meetings.

Status: Fully corrected. The County Clerk retired from the County on June 30, 2016.

Finding 2013-012

Lack of County-Wide Controls Over Major Federal Programs - Repetitive Flood Claims

Pass-Through Grantor: Oklahoma Department of Emergency Management

Federal Agency: U.S. Department of Homeland Security

Assistance Listing No: 97.092

Federal Program Name: Repetitive Flood Claims

Federal Grant Award Number: RFC-PJ-06-OK-2009-002

Federal Award Year: 2013

Control Category: Activities Allowed or Unallowed, Allowable Cost/Cost Principles, Cash Management, Eligibility, Equipment and Real Property Management, Procurement, Suspension, and Debarment, Real Property Acquisition and Relocation Assistance, Reporting

Questioned Costs: \$-0-

Finding Summary: County-wide controls regarding Control Environment, Risk Management, and Monitoring have not been designed.

Status: Fully corrected for the CFDA 97.092 - Repetitive Flood Claims.

Finding 2013-013

Inadequate Internal Controls Over Major Federal Programs – Repetitive Flood Claims

Pass-Through Grantor: Oklahoma Department of Emergency Management

Federal Agency: U.S. Department of Homeland Security

Assistance Listing No: 97.092

Federal Program Name: Repetitive Flood Claims

Federal Grant Award Number: RFC-PJ-06-OK-2009-002

Federal Award Year: 2013

Control Category: Procurement and Suspension and Debarment, Real Property Acquisition and Relocation Assistance, Reporting

Questioned Costs: \$-0-

Finding Summary: The County had not established internal controls to ensure compliance with the following compliance requirements: Procurement and Suspension and Debarment, Real Property Acquisition and Relocation Assistance, Reporting.

Status: Fully corrected for the CFDA 97.092 - Repetitive Flood Claims.

Finding: 2013-014

Noncompliance with Procurement and Suspension and Debarment - Repetitive Flood Claims

Pass-Through Grantor: Oklahoma Department of Emergency Management

Federal Agency: U.S. Department of Homeland Security

Assistance Listing No: 97.092

Federal Program Name: Repetitive Flood Claims

Federal Grant Award Number: RFC-PJ-06-OK-2009-002

Federal Award Year: 2013

Control Category: Procurement and Suspension and Debarment

Questioned Costs: \$-0-

Finding Summary: The County did not verify that the vendors they entered into contract with for the Repetitive Flood Claims project were not debarred, suspended, proposed for debarment, or declared ineligible for the award of contracts by any Federal agency

Status: Fully corrected for the CFDA 97.092 - Repetitive Flood Claims.

Finding 2013-015

Noncompliance with Real Property Acquisition and Relocation Assistance - Repetitive Flood Claims

Pass-Through Grantor: Oklahoma Department of Emergency Management

Federal Agency: U.S. Department of Homeland Security

Assistance Listing No: 97.092

Federal Program Name: Repetitive Flood Claims

Federal Grant Award Number: RFC-PJ-06-OK-2009-002

Federal Award Year: 2013

Control Category: Procurement and Suspension and Debarment

Questioned Costs: \$692,349

Finding Summary: The Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended, (URA) provides for uniform and equitable treatment of persons displaced by federally assisted programs from their homes, businesses, or farms. Property acquired must be appraised by qualified independent appraisers. All appraisals must be examined by a review appraiser to ensure acceptability. After acceptance, the review appraiser certifies the recommended or approved value of the property for establishment of the offer of just compensation to the owner. There is no evidence that appraisals were examined or certified by a review appraiser.

Status: Fully corrected for the CFDA 97.092 - Repetitive Flood Claims.

Finding 2011-003

Inadequate Internal Controls Over Compliance Requirement – Procurement and Suspension and Debarment – Hazard Mitigation Grant (Repeat Finding)

Pass-Through Grantor: Oklahoma Department of Emergency Management

Federal Agency: U.S. Department of Homeland Security

Assistance Listing No: 97.039

Federal Program Name: Hazard Mitigation Grant

Federal Award Number: SRL-PJ-06 OK-2008-011, RFC-PJ-06 OK-2009-002

Federal Award Year: 2011

Control Category: Procurement and Suspension and Debarment

Questioned Costs: \$0

Finding Summary: Ottawa County did not verify if vendors are debarred, suspended, proposed for debarment, or declared ineligible for the award of contracts by any federal agency.

Status: Fully corrected for CFDA 97.039 – Hazard Mitigation Grant

Finding 2008-011, 2011-04

Inadequate Internal Controls Over Schedule of Expenditures of Federal Awards - Disaster Grants - Public Assistance (Presidentially Declared Disasters)

Pass-Through Grantor: Oklahoma Department of Emergency Management

Federal Agency: U.S. Department of Homeland Security

Assistance Listing No: :97.036

Federal Program Name: Disaster Grants - Public Assistance (Presidentially Declared Disasters)

Federal Award Number: DR- 1876, DR-1883, DR-1985

Federal Award Year: 2011

Control Category: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort, Earmarking; Period of Availability of Federal Funds; Procurement and Suspension and Debarment; and Special Tests and Provisions

Questioned Costs: \$-0-

Finding Summary: The County has not designed and implemented formal procedures for the reporting of its major federal programs as required by OMB Circular A-133.

Status: Fully corrected for CFDA 97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters)

Finding 2010-03

Inadequate Internal Controls Over Compliance Requirement – Procurement and Suspension and Debarment – Hazard Mitigation Grant

Pass-Through Grantor: Oklahoma Department of Emergency Management

Federal Agency: U.S. Department of Homeland Security

Assistance Listing No: 97.039

Federal Program Name: Hazard Mitigation Grant

Federal Award Number: 1355

Federal Award Year: 2010

Control Category: Procurement and Suspension and Debarment

Questioned Costs: \$0

Finding Summary: Ottawa County did not verify if vendors are debarred, suspended, proposed for debarment, or declared ineligible for the award of contracts by any federal agency.

Status: Fully corrected for CFDA 97.039 – Hazard Mitigation Grant

Finding 2010-04

Inadequate Internal Controls Over Schedule of Expenditures of Federal Awards - Disaster Grants - Public Assistance (Presidentially Declared Disasters) (Repeat Finding)

Pass-Through Grantor: Oklahoma Department of Emergency Management

Federal Agency: U.S. Department of Homeland Security

Assistance Listing No: 97.036

Federal Program Name: Disaster Grants - Public Assistance (Presidentially Declared Disasters)

Federal Award Number: DR- 1876, DR-1883

Federal Award Year: 2008, 2009, 2010

Control Category: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort, Earmarking; Period of Availability of Federal Funds; Procurement and Suspension and Debarment; and Special Tests and Provisions

Questioned Costs: \$-0-

Finding Summary: The County has not designed and implemented formal procedures for the reporting of its major federal programs as required by OMB Circular A-133.

Status: Fully corrected for CFDA 97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters)

O·K·L·A·H·O·M·A
S·A·I
STATE AUDITOR & INSPECTOR



Cindy Byrd, CPA | State Auditor & Inspector

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