



# PAWNEE COUNTY

## Financial Audit

For the fiscal year ended June 30, 2017

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

**PAWNEE 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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September 30, 2021

TO THE CITIZENS OF  
PAWNEE COUNTY, OKLAHOMA

Transmitted herewith is the audit of Pawnee 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.

Sincerely,

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

CINDY BYRD, CPA  
OKLAHOMA STATE AUDITOR & INSPECTOR



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

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**Board of County Commissioners**

District 1 – Charles Brown  
District 2 – Jim McCormick  
District 3 – Dale Carter

**County Assessor**

Melissa Waters

**County Clerk**

Kristie Moles

**County Sheriff**

Mike Waters

**County Treasurer**

Carrie Tatum

**Court Clerk**

Janet Dallas

**District Attorney**

Rex Duncan

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

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## **FINANCIAL SECTION**

## Independent Auditor's Report

TO THE OFFICERS OF  
PAWNEE 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 Pawnee 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 Pawnee 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 Pawnee 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 Pawnee 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 supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statement.

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

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2021, on our consideration of Pawnee 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 Pawnee County's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Cindy Byrd". The signature is written in a cursive, flowing style.

CINDY BYRD, CPA  
OKLAHOMA STATE AUDITOR & INSPECTOR

September 14, 2021

## **REGULATORY BASIS FINANCIAL STATEMENT**

**PAWNEE 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, 2016	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2017
Combining Information:				
County General Fund	\$ 584,559	\$ 1,406,576	\$ 1,375,483	\$ 615,652
Sales Tax	3,092,512	1,905,158	2,001,510	2,996,160
County Health	270,961	198,585	131,364	338,182
Highway Cash Fund	728,382	2,551,009	2,319,679	959,712
Sheriff Fee Cash Fund	501,970	155,176	168,453	488,693
Tribal Prisoner	406,715	57,140	156,856	306,999
County Road and Bridge Improvement CBR5	521,790	241,422	488,880	274,332
Jail Sales Tax	343,176	199,794	334,747	208,223
Resale Property	218,216	181,568	147,008	252,776
Wireless 911	77,897	37,199	41,544	73,552
County Sheriff Commissary	91,801	18,564	5,271	105,094
County Sheriff Training	299	-	-	299
County Clerk Lien Fee	119,919	5,852	13,873	111,898
County Treasurer Certification Fee	14,844	2,480	2,800	14,524
OG&E Sooner Lake	5,124	-	1,110	4,014
Corp of Engineers	14,323	6,440	-	20,763
County Clerk Records Preservation Fee	30,830	17,270	26,533	21,567
County Sheriff Asset and Forfeiture	74,174	165	2,500	71,839
County Assessor Visual Inspection	26,786	21,889	23,746	24,929
County Sheriff Courthouse Security	50,097	22,801	6,808	66,090
County Use Tax	149,181	49,407	-	198,588
LEPC Grant Hazards	31,698	2,000	18,273	15,425
Prepaid Wireless	71,054	17,012	49,011	39,055
Highway Use Tax	141,211	-	47,729	93,482
Court Clerk Payroll	143,121	140,173	143,743	139,551
CDBG Fire Truck	-	1,492	1,492	-
Sheriff Community Service Sentencing Program	-	1,750	-	1,750
Drug Task Force	399	-	-	399
Free Fair	8,576	12,314	10,182	10,708
County Donations	990	1,419	1,320	1,089
<b>Combined Total - All County Funds, as Restated</b>	<b>\$ 7,720,605</b>	<b>\$ 7,254,655</b>	<b>\$ 7,519,915</b>	<b>\$ 7,455,345</b>

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

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

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**1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

Pawnee County is a subdivision of the State of Oklahoma created by the Oklahoma Constitution and regulated by Oklahoma Statutes.

The accompanying financial statement presents the receipts, disbursements, and changes in cash balances of the total of all funds under the control of the primary government. The general fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund, where its use is restricted for a specified purpose. Other funds established by statute and under the control of the primary government are also presented.

The County Treasurer collects and remits material amounts of intergovernmental revenues and ad valorem tax revenue for other budgetary entities, including school districts, and cities and towns. The cash receipts and disbursements attributable to those other entities do not appear in funds on the County's financial statement; those funds play no part in the County's operations. Any trust or agency funds maintained by the County are not included in this presentation.

**B. Fund Accounting**

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

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

County General Fund – accounts for the general operations of the government.

Sales Tax – accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax ballot.

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

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

Sheriff Fee Cash Fund – accounts for the collection and disbursement of Sheriff process service fees as restricted by state statute.

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

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Tribal Prisoner – accounts for tribal prisoners’ housing and travel expenses and disbursements are for lawful expenses of the Sheriff’s office.

County Road and Bridge Improvement CBR5 – accounts for the collections from the State of Oklahoma and disbursements are for road and bridge improvements.

Jail Sales Tax – accounts for monies received from a one (1) cent sales tax collected and disbursements are for lawful expenditures of the jail.

Resale Property – accounts for revenue from interest and penalties on delinquent ad valorem taxes. Disbursements are to offset the expense of collecting delinquent ad valorem taxes.

Wireless 911 – accounts for monies received from the Central Oklahoma Economic Development District and disbursements are for operating the 911 wireless system.

County Sheriff Commissary – accounts for monies received from the commissary sales and disbursement of funds as restricted by state statute.

County Sheriff Training – accounts for monies collected from a grant and disbursed for the training of Sheriff officers.

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

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

OG&E Sooner Lake – accounts for monies received from OG&E for the patrol of the property around Sooner Lake.

Corp of Engineers – accounts for monies collected from the Corp of Engineers for the payment of a part-time patrol officer.

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

County Sheriff Asset and Forfeiture – accounts for monies received from the sale of asset seizures and disbursements are for drug enforcement expenses of the Sheriff’s office.

County Assessor Visual Inspection – accounts for the collection of fees for copies as restricted by state statute.

County Sheriff Courthouse Security – accounts for monies from Court Clerk fees paid to the Sheriff’s office for courthouse security.

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

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County Use Tax – accounts for revenues for the use tax funds collected by the Oklahoma Tax Commission and disbursements are for the general operation of the County.

LEPC Grant Hazards – accounts for monies received from the State of Oklahoma for the purchase of Emergency Management equipment.

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

Highway Use Tax – accounts for use tax collections to be distributed equally between Districts 1, 2 and 3 for road and bridge projects per BOCC resolution.

Court Clerk Payroll – accounts for collections from the state to pay for Court Clerk employees’ salaries.

CDBG Fire Truck – accounts for funds received from a Community Development Block Grant and disbursement was for the purchase of a fire truck for the Maramec Fire Department.

Sheriff Community Service Sentencing Program – accounts for the collection of funding through the State Department of Corrections for administrative expenses and supervision of offenders.

Drug Task Force – accounts for both collections and disbursement of funds set aside for law enforcement sting operations.

Free Fair – accounts for the collections of rental income and donations and disbursements are for the maintenance and operation of the Free Fair.

County Donations – accounts for donations to the County for specified projects as restricted by resolutions approved by the BOCC.

**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

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

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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.

**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.

At June 30, 2017, the County’s investments were under-collateralized in the amount of \$361,661.

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

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**2. Ad Valorem Tax**

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

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

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

**3. Other Information**

**A. Pension Plan**

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

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

**B. Other Post Employment Benefits (OPEB)**

In addition to the pension benefits described in the Pension Plan note, OPERS provides post-retirement health care benefits of up to \$105 each for retirees who are members of an eligible group



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

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

**C. Contingent Liabilities**

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

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

**D. Sales Tax**

**Sales Tax of October 13, 2009**

The voters of Pawnee County approved a one percent (1%) sales tax on gross receipts of certain sales; providing that the purposes of such sales tax shall be solely to pay for acquiring, constructing, equipping, repairing, renovating, operating and maintaining the County jail facilities for the County of Pawnee, Oklahoma and to support law enforcement within the County of Pawnee, Oklahoma; and to pay the principal of and interest on indebtedness incurred on behalf of said County by the Pawnee County Public Program Authority for such purposes; providing that the aforesaid sales tax shall be levied beginning January 1, 2010, and three-fourths of one percent (3/4%) sales tax shall cease to be collected when sufficient funds from said levy shall be on deposit to retire such indebtedness or on January 1, 2030, whichever shall be earlier; and further providing that the remaining one-fourth of one percent (1/4%) shall be levied until repealed by a majority of the electors of Pawnee County in an election called for that purpose. These funds are accounted for in the Jail Sales Tax fund.

**Sales Tax of July 9, 2013**

The voters of Pawnee County approved a one (1) cent sales tax effective February 2014. The sales tax has a duration of five (5) years. The sales tax was established to provide revenue for the following: County Sheriff's Office 30%, City and Rural Fire Protection 5% (equal shares): Basin, Blackburn, Cleveland, Jennings, Maramec, N48 Sunrise, Pawnee, Peninsula, Ralston, Terilton, Westport, and Skedee, County 911 2%, Senior Citizens Center 2%, County Juvenile Detention 1%, County Emergency Management 2%, County OSU Extension 5%, County Roads and Bridges 10%, County Free Fair 3%, County Buildings 8%, County Economic Development 4%, and County General 28%. These funds are accounted for in the Sales Tax fund.

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

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**E. Restatement of Fund Balance**

During the fiscal year, the County had a reclassification of funds. Court Clerk Payroll was reclassified as a county fund and represents payroll expenditures of County employees. The Drug Task Force fund was reclassified as a county fund and represents expenditures for law enforcement sting operations. The Free Fair fund was reclassified as a county fund and represents expenditures for the maintenance and operation of the Free Fair. The County Donations fund represents donations received for specified projects as restricted by resolutions approved by the Board of County Commissioners (BOCC).

Prior year ending balance, as reported	\$7,567,519
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Funds reclassified from a

Trust and Agency Fund to a County Fund:

Court Clerk Payroll	143,121
Drug Task Force	399
Free Fair	8,576
County Donations	<u>990</u>

Prior year ending balance, as restated	<u>\$7,720,605</u>
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## **SUPPLEMENTARY INFORMATION**

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

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	General Fund		
	Budget	Actual	Variance
District Attorney	\$ 10,000	\$ 10,000	\$ -
County Sheriff	369,684	350,715	18,969
County Treasurer	77,660	77,357	303
County Clerk	152,289	148,054	4,235
Court Clerk	77,357	77,357	-
County Assessor	77,822	75,873	1,949
Revaluation of Real Property	194,454	174,817	19,637
General Government	476,817	387,184	89,633
Excise-Equalization Board	5,000	3,264	1,736
County Election Board	61,945	61,431	514
Charity	2,500	500	2,000
County Audit Budget Account	23,420	15,963	7,457
Total Expenditures, Budgetary Basis	<u>\$ 1,528,948</u>	<u>\$ 1,382,515</u>	<u>\$ 146,433</u>

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

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	Health Fund		
	Budget	Actual	Variance
County Health Budget	\$ 425,617	\$ 137,604	\$ 288,013
Total Expenditures, Budgetary Basis	\$ 425,617	\$ 137,604	\$ 288,013

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

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**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.

## **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  
PAWNEE 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 Pawnee County, Oklahoma, as of and for the year ended June 30, 2017, and the related notes to the financial statement, which collectively comprises Pawnee County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated September 14, 2021.

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

**Internal Control Over Financial Reporting**

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

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





Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be material weaknesses: 2017-001, 2017-003, and 2017-005.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Pawnee County's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2017-003 and 2017-005.

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

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

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

### **Purpose of this Report**

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

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



CINDY BYRD, CPA  
OKLAHOMA STATE AUDITOR & INSPECTOR

September 14, 2021

**PAWNEE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
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**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 2017-001 – Lack of County-Wide Internal Controls (Repeat Finding - 2016-001 and 2015-001)**

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

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

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

**Recommendation:** The Oklahoma State Auditor & Inspector’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:**

**Chairman of the Board of County Commissioners:** The Chairman of the Board of County Commissioners is currently conducting meetings using the County-Wide Controls Checklist with elected officials.

**County Clerk:** Once it was brought to the attention of the county, internal control meetings were implemented. Internal control meetings are conducted quarterly.

**County Treasurer:** We are now having these meetings with all elected officials.

**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.

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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 2017-003 - Lack of Internal Controls and Noncompliance Over the Discrete Presentation of the Sales Tax Activity**

**Condition:** While gaining an understanding of internal controls and observation of the recordkeeping process of expending the county sales tax, the following was noted:

- Disbursements from the Sales Tax fund to the Pawnee County Public Program Authority did not follow the proper disbursement guidelines as outlined by state statute in the amount of \$798,723.
- All sales tax money is receipted into the Sales Tax fund. However, the funds are then disbursed from the Sales Tax fund and apportioned to the County Use Tax and Jail Sales Tax funds. Thus, overstating apportionments and disbursements by \$249,015 on the financial statement.
- \$111,896 in non-sales tax revenue was receipted and appropriated into the Sales Tax fund.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure compliance with state statutes 19 O.S. § 1505, 68 O.S. § 1370(E), 1370(I) and Attorney General (AG) Opinion 2014 OK AG 15.

**Effect of Condition:** These conditions resulted in noncompliance with state statutes and AG Opinion. Further, these conditions resulted in misstated financial reports, and could result in unrecorded transactions, undetected errors, or misappropriation of funds.

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**Recommendation:** OSAI recommends the County appropriate sales tax funds in accordance with the sales tax ballot into the appropriate funds to discretely present the revenue and expenditures. In addition, the sales tax should be expended in such a manner to provide assurance that expenditures are made in accordance to the purposes specified by the ballot and as outlined in state statutes 19 O.S. § 1505, 68 O.S. § 1370(E), 1370(I) and AG Opinion 2014 OK AG 15.

**Management Response:**

**County Treasurer:** This has been corrected and the money is now being receipted into the correct sales tax fund according to the new chart of accounts. All sales tax disbursements will follow the purchasing procedure and will be disbursed on a purchase order. This was changed per the Bond Attorney's request.

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

*Compliance Objectives*

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

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

*Definitions of Objectives*

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

Title 19 O.S. § 1505 requires disbursements to be issued by purchase order approved by the BOCC.

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

Title 68 O.S. § 1370(I), states in part... "Each such revolving fund shall be designated for a particular purpose and shall consist of all monies generated by such sales tax which are designated for such purpose. Monies in such funds shall only be expended for the purposes specifically designated as required by this section. A county sales tax revolving fund shall be a continuing fund not subject to fiscal year limitations."

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Further, AG Opinion 2014 OK AG 15 dated 10/31/2014 states:

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

**Finding 2017-005 - Lack of Internal Controls Over Pledged Collateral and Noncompliance with State Statute**

**Condition:** Upon inquiry of the County Treasurer, observation, and review of documents regarding the pledged collateral process, the following was noted.

- At June 30, 2017, the County’s deposits were not secured by pledged collateral at a local bank in the amount of \$361,661.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure that bank deposits are adequately secured.

**Effect of Condition:** This condition resulted in noncompliance with state statute and unsecured County funds. Further, this condition could result in possible loss of County funds.

**Recommendation:** OSAI recommends that the County Treasurer design and implement policies and procedures to compare bank balances to the fair market value of pledged collateral daily to ensure that county funds are adequately secured and that the county is in compliance with 62 O.S. § 517.4.A. Documentation for this daily procedure should be maintained.

**Management Response:**

**County Treasurer:** We have been working with this bank for some time and it was in the process of being bought out during the time we were under-collateralized. We now have a letter of credit along with pledges to ensure we are not under collateralized.

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

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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Title 62 O.S. § 517.4.A. states, “A treasurer of a public entity shall require that financial institutions deposit collateral securities or instruments to secure the deposits of the public entity in each such institution. The amount of collateral securities or instruments to be pledged for the security of public deposits shall be established by the treasurer of the public entity consistent with the provisions of the Security for Local Public Deposits Act; provided, such amount shall not be less than the amount of the deposit to be secured, less the amount insured.”

**SECTION 2—***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 2017-006 - Lack of Internal Controls and Noncompliance Over the Inmate Trust Fund Checking Account and the County Sheriff Commissary (Repeat Finding)**

**Condition:** An audit of the Inmate Trust Fund Checking Account and the County Sheriff Commissary fund reflected the following:

- One person is responsible for accessing and balancing the drop box, preparing deposit slips, taking deposits to the bank, maintaining the inmate records, issuing checks, signing checks, and performing bank reconciliations.
- Inmate ledgers are not reconciled to the bank statement.
- Deposits are not made daily.
- An annual commissary report was not filed with the Board of County Commissioners by January 15th of each year.
- There is no policy or procedures regarding unclaimed funds.
- Payments to vendors were paid from the Inmate Trust Fund Checking Account.

**Cause of Condition:** Policies and procedures have not been designed and implemented regarding the Inmate Trust Fund Checking Account and the County Sheriff Commissary fund.

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

**Recommendation:** OSAI recommends the following:

- Key duties and responsibilities should be segregated among different individuals to reduce the risk of error or fraud. No one individual should have the ability to authorize transactions, have physical custody of assets, and record transactions.
- Inmate Trust Fund Checking Account monies should be maintained in a manner that reflects each inmate’s trust deposits, disbursements, and account balances. The total of inmate’s trust fund

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balances should be reconciled to the bank statements each month with someone other than the preparer reviewing it.

- All collections should be deposited daily.
- An annual report of commissary operations should be submitted to the Board of County Commissioners no later than January 15<sup>th</sup> of each year in accordance with state statute.
- Unclaimed inmate monies should follow unclaimed property in accordance with state statute.
- Expenditures are to be made from the Inmate Trust Fund Checking Account in accordance with Title 19 O.S. § 531A.

**Management Response:**

**County Sheriff:** While this has been a repeat finding, all prior years were under a previous administration. The Sheriff's office will put into place internal controls and segregation of duties and ensure the inmate ledger is reconciled to the bank statements. We will strive to make daily deposits and file the Commissary report by January 15<sup>th</sup> of each year. We will implement policy and procedures to ensure that expenditures are in accordance with Title 19 and for all unclaimed funds such as sending the information to the DA's office for review and suggestions.

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

*Segregation of Duties*

Management divides or segregates key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. This includes separating the responsibilities for authorizing transaction, 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.

The GAO Standards – 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.

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

*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. Ongoing monitoring may include automated tools, which can increase objectivity and efficiency by electronically compiling evaluations of controls and transactions.

Title 19 O.S. § 180.43 D. states in part, “The sheriff shall file an annual report on any said commissary under his or her operation no later than January 15 of each year.”

Title 22 O.S. § 1325(F, H) prescribes the procedures for handling unclaimed property.

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.”





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