



PAWNEE COUNTY

Financial Report

For the fiscal year ended June 30, 2021

Cindy Byrd, CPA
State Auditor & Inspector

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

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June 30, 2022

TO THE CITIZENS OF
PAWNEE COUNTY, OKLAHOMA

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

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

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

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

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

Sincerely,

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, 2021**

Board of County Commissioners

District 1 – Charles Brown
District 2 – Jerry Skidgel
District 3 – Barry Donnelly

County Assessor

Melissa Waters

County Clerk

Kristie Moles

County Sheriff

Darrin Varnell

County Treasurer

Carrie Tatum

Court Clerk

Ila Potts

District Attorney

Mike Fisher

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

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

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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 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, 2021, and the related notes to the financial statement, which collectively comprise the County's basic financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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

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

As described in Note 1, the financial statement is prepared by 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, 2021, or changes in financial position for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

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

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the total of all county funds on the financial statement. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the remaining supplementary information, as listed in the table of contents, are presented for purposes of additional analysis and is not a required part of the financial statement.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2022, 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.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

June 29, 2022

REGULATORY BASIS FINANCIAL STATEMENT

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

	Beginning Cash Balances July 1, 2020	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2021
County Funds:						
County General	\$ 903,695	\$ 1,718,954	\$ 2,564	\$ -	\$ 1,508,198	\$ 1,117,015
Courthouse Maintenance-ST	174,203	95,888	-	-	61,062	209,029
Emergency Management-ST	196,962	56,787	80,386	-	167,874	166,261
Extension-ST	167,373	59,958	-	-	42,431	184,900
Fair-ST	49,657	41,067	100	-	29,226	61,598
General Gov't-ST	338,568	1,319,214	-	-	1,275,914	381,868
Road & Bridges-ST	282,623	119,853	-	-	182,431	220,045
Jail-ST	279,050	239,620	-	-	291,570	227,100
Juvenile Detention-ST	95,939	12,019	-	-	12,566	95,392
Sheriff-ST	313,029	360,291	-	-	377,795	295,525
Rural Fire-ST	288,929	59,996	-	-	91,916	257,009
Senior Citizens-St	41,564	23,972	-	-	16,580	48,956
Economic Development-ST	170,471	55,987	-	-	29,302	197,156
Health	556,376	213,372	3,127	-	158,872	614,003
County Highway Unrestricted	1,146,773	2,325,284	-	-	2,109,899	1,362,158
Sheriff Service Fee	310,780	207,478	38,930	-	269,951	287,237
County Bridge and Road Improvement	461,196	255,059	-	-	586,529	129,726
Resale Property	324,508	252,348	-	-	191,057	385,799
Sheriff Commissary	114,975	32,971	-	-	12,353	135,593
Sheriff Training	299	-	-	-	-	299
County Clerk Lien Fee	89,098	4,598	-	-	11,482	82,214
Treasurer Mortgage Certification	15,643	2,560	-	-	1,689	16,514
Lake Patrol OG&E	3,915	-	-	3,915	-	-
Lake Patrol COE	34,640	-	3,915	-	-	38,555
County Clerk Records Management and Preservation Fee	24,037	37,198	-	-	34,370	26,865
Sheriff Forfeiture	78,746	-	-	-	49,642	29,104
Assessor Visual Inspection	21,951	3,517	-	-	3,148	22,320
Courthouse Security	38,930	-	-	38,930	-	-
Use Tax-ST	541,973	239,487	-	-	122,291	659,169
Local Emergency Planning Committee	17,425	1,000	-	-	-	18,425
911 Phone Fees	4,629	30,277	-	2,564	29,611	2,731
Sheriff Community Service Sentencing Program	7,075	-	-	-	-	7,075
Court Clerk Payroll	68,921	114,284	-	-	161,838	21,367
Free Fair Board	3,638	7,142	-	-	7,489	3,291
County Donations	1,395	1,431	-	-	1,860	966
COVID Aid and Relief	-	551,079	-	83,613	176,612	290,854
American Rescue Plan Act 2021	-	1,590,462	-	-	-	1,590,462
Community Development Block Grants Revolving Fund-18	-	150,000	-	-	150,000	-
Total - All County Funds	\$ 7,168,986	\$ 10,183,153	\$ 129,022	\$ 129,022	\$ 8,165,558	\$ 9,186,581

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, 2021**

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.

During the fiscal year ended June 30, 2021, the County converted to a new chart of accounts; therefore, several fund names and descriptions change. However, these changes do not reflect a change in the sources and uses of revenues over the prior fiscal year.

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

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

Courthouse Maintenance-ST – accounts for the collection of sales tax revenue and the disbursement of funds, as restricted by the sales tax ballot.

Emergency Management-ST – accounts for the collection of sales tax revenue and the disbursement of funds, as restricted by the sales tax ballot.

Extension-ST – accounts for the collection of sales tax revenue and the disbursement of funds, as restricted by the sales tax ballot.

Fair-ST – accounts for the collection of sales tax revenue and the disbursement of funds, as restricted by the sales tax ballot.

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

General Gov't-ST – accounts for the collection of sales tax revenue and the disbursement of funds, as restricted by the sales tax ballot.

Road and Bridges-ST – accounts for the collection of sales tax revenue and the disbursement of funds, as restricted by the sales tax ballot.

Jail-ST – accounts for the collection of sales tax revenue and the disbursement of funds, as restricted by the sales tax ballot.

Juvenile Detention-ST – accounts for the collection of sales tax revenue and the disbursement of funds, as restricted by the sales tax ballot.

Sheriff-ST – accounts for the collection of sales tax revenue and the disbursement of funds, as restricted by the sales tax ballot.

Rural Fire-ST – accounts for the collection of sales tax revenue and the disbursement of funds, as restricted by the sales tax ballot.

Senior Citizens-ST – accounts for the collection of sales tax revenue and the disbursement of funds, as restricted by the sales tax ballot.

Economic Development-ST – accounts for the collection of sales tax revenue and the disbursement of funds, as restricted by the sales tax ballot.

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.

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

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

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

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.

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

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

Sheriff Training – accounts for monies collected from a grant and disbursed to the Sheriff’s office for the training of Sheriff officers.

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

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

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

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

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

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

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

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

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

Local Emergency Planning Committee – accounts for monies received from the State of Oklahoma for the purchase of Emergency Management equipment.

911 Phone Fees – 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.

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

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

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

Free Fair Board – 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.

COVID Aid and Relief – accounts for the proceeds of the Coronavirus Relief Fund reimbursements and may be appropriated to any lawful purpose (department) of the county as directed by resolution.

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

Community Development Block Grants Revolving Fund-18 – accounts for monies for the Community Development Block Grant (CDBG) and disbursed for the Maramec road project.

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

D. Budget

Under current Oklahoma Statutes, a general fund and a county health department fund are the only funds required to adopt a formal budget. On or before the first Monday in July of each year, each

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

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."

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

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

property taxes become a lien upon said property after the treasurer has perfected the lien by public notice.

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

3. Other Information

A. Pension Plan

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

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

B. Other Post Employment Benefits (OPEB)

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

C. Contingent Liabilities

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

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.

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

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 purpose 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 Programs 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 deposited to retire such indebtedness or on January 1, 2030, whichever shall be earlier: and the remaining one-fourth of one percent (1/4%) shall be levied until repealed by a majority of the electors of Pawnee County. These funds are accounted for in the Jail-ST fund.

Sales Tax of February 13, 2018

The voters of Pawnee County approved a one (1) cent sales tax effective February 2019. 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 between Basin, Blackburn, Cleveland, Jennings, Maramec, N48 Sunrise, Pawnee, Peninsula, Ralston, Terlton, 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 following: Sheriff-ST, Rural Fire-ST, Emergency Management-ST, Senior Citizens-ST, Juvenile Detention-ST, Extension-ST, Roads and Bridges-ST; Fair-ST, Courthouse Maintenance-ST, Economic Development-ST, and General Gov't-ST.

E. Interfund Transfers

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

- \$38,930 was transferred from the Courthouse Security fund to the Sheriff Service Fee fund to establish a uniform system of bookkeeping in accordance with 74 O.S. § 214.
- \$3,915 was transferred from the Lake Patrol OG&E fund to the Lake Patrol COE fund to establish a uniform system of bookkeeping in accordance with 74 O.S. § 214.
- \$2,564 was transferred from the 911 Phone Fees fund to the County General fund to correct a prior year apportionment error.
- A total of \$83,613 was transferred from COVID Aid and Relief fund by Board of County Commissioners' resolution to the following funds:
 - \$80,386 to the Emergency Management-ST fund
 - \$100 to the Fair-ST fund
 - \$3,127 to the Health fund

SUPPLEMENTARY INFORMATION

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

	General Fund		
	Budget	Actual	Variance
District Attorney - County	\$ 10,000	\$ 10,000	\$ -
County Sheriff	383,850	374,803	9,047
County Treasurer	93,786	93,786	-
County Clerk	177,814	175,802	2,012
Court Clerk	93,786	93,786	-
County Assessor	94,254	82,864	11,390
Visual Inspection	214,273	191,512	22,761
General Government	587,326	406,821	180,505
Excise-Equalization Board	5,000	2,762	2,238
County Election Board	70,453	70,189	264
Charity	3,000	2,000	1,000
County Audit Budget	19,602	-	19,602
Total Expenditures, Budgetary Basis	\$ 1,753,144	\$ 1,504,325	\$ 248,819

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

	Health Fund		
	Budget	Actual	Variance
Health and Welfare	\$ 695,346	\$ 166,150	\$ 529,196
Total Expenditures, Budgetary Basis	\$ 695,346	\$ 166,150	\$ 529,196

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

1. Budgetary Schedules

The Comparative Schedules of Expenditures—Budget and Actual—Budgetary Basis for the General Fund and the Health Fund 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 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

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

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. DEPARTMENT OF DEFENSE			
Department of the Army			
Passed Through Oklahoma State Treasurer's Office:			
Flood Control Projects	12.106		\$ 787
Total U.S. Department of Defense			<u>787</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed Through the State Department of Commerce			
Community Development Block Grants/State's program and Non-Entitled Grants in Hawaii	14.228		150,000
Total U.S. Department of Housing and Urban Development			<u>150,000</u>
U.S. DEPARTMENT OF THE INTERIOR			
Direct Grant			
Payments in Lieu of Taxes	15.226		47,335
Total U.S. Department of the Interior			<u>47,335</u>
U.S. DEPARTMENT OF JUSTICE			
Office of Justice Programs			
Passed Through State Bureau of Investigation			
Missing Children's Assistance	16.543		995
Total U.S. Department of Justice			<u>995</u>
U.S. DEPARTMENT OF THE TREASURY			
Passed Through the Oklahoma Office of Management and Enterprise Services			
COVID-19 Coronavirus Relief Fund	21.019	SA-0160	555,366
Total U.S. Department of the Treasury			<u>555,366</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Federal Emergency Management Agency (FEMA)			
Passed Through the Oklahoma Department of Emergency Management:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4438-DR-OK	3,274
Passed Through the Oklahoma Department of Emergency Management:			
Emergency Management Performance Grants	97.042		5,000
Total U.S. Department of Homeland Security			<u>5,000</u>
Total Expenditures of Federal Awards			<u>\$ 759,483</u>

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

Basis of Presentation

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

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

Eligible Expenditures Incurred in the Prior Fiscal Year

On March 27, 2020, the President of the United States signed the Coronavirus Aid, Relief, and Economic Security (CARES) Act into law. Pawnee County received \$551,079 in federal relief funds. The County incurred \$252,745 in eligible expenditures in the prior year ending June 30, 2020. These eligible expenditures were from March 16, 2020, through June 30, 2020, and were accounted for in the County's June 30, 2020, financial statements. Therefore, expenditures on the schedule of expenditures of federal awards for Assistance Listing 21.019 – Coronavirus Relief Fund includes \$252,745 in eligible expenditures incurred in the fiscal year ending June 30, 2020, and all eligible expenditures that were incurred in the fiscal year ending June 30, 2021, totaling \$298,334.

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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the total—all county funds of the accompanying Statement of Receipts, Disbursements, and Changes in Cash Balances of Pawnee County, Oklahoma, as of and for the year ended June 30, 2021, and the related notes to the financial statement, which collectively comprise Pawnee County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated June 29, 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 as of and for the year ended June 30, 2021, on the basis of accounting prescribed by Oklahoma state law, described in Note 1.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered Pawnee County's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of 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 questioned costs that we consider to be material weaknesses: 2021-004 and 2021-006.

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 on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2021-004.

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

Pawnee County's Response to Findings

Pawnee County's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. 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 it.

Purpose of this Report

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



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

June 29, 2022



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

TO THE OFFICERS OF
PAWNEE COUNTY, OKLAHOMA

Report on Compliance for Each Major Federal Program

We have audited the compliance of Pawnee County, Oklahoma, with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Pawnee County's major federal program for the year ended June 30, 2021. Pawnee 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 Pawnee 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 Pawnee County's compliance.

Opinion on Each Major Federal Program

In our opinion, Pawnee County, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of Pawnee 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 Pawnee 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 Pawnee County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2021-011 and 2021-012, that we consider to be material weaknesses.

Pawnee County's Response to Findings

Pawnee 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. Pawnee 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

June 29, 2022

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

SECTION 1—Summary of Auditor’s Results

Financial Statements

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

Internal control over financial reporting:

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

Noncompliance material to the financial statement noted? Yes

Federal Awards

Internal control over major programs:

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

Type of auditor's report issued on
compliance for major programs: 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 Programs

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
21.019	Coronavirus Relief Fund

Dollar threshold used to distinguish between
Type A and Type B programs: \$750,000

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

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

SECTION 2—Findings related to the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Finding 2021-004 – Lack of Internal Controls and Noncompliance Over Discrete Presentation of Sales Tax Activity (Repeat Finding - 2017-003, 2018-003, 2019-003, 2020-002)

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

- Sales tax revenue in the amount of \$957,999 was apportioned directly to the Pawnee County Public Building Authority fund, a trust and agency fund, resulting in the apportionments and disbursements to be understated by this same amount.

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) 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 materially misstated financial reports, and could result in unrecorded transactions, undetected errors, or misappropriation of funds.

Recommendation: The Oklahoma State Auditor and Inspector’s Office (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 with the purposes specified by the ballot and as outlined in state statutes 19 O.S. § 1505, 68 O.S. § 1370(E), and AG Opinion 2014 OK AG 15.

Management Response:

Chairman of the Board of County Commissioners: This finding has been corrected. All sales tax monies are now being received into the correct sales tax fund. All disbursements are now being disbursed with a purchase order and we are following the purchasing procedures.

County Treasurer: This has been corrected and money is now being receipted into the correct sales tax fund. All sales tax disbursements will follow the purchasing procedures.

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.

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

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) states in part, “Any sales tax which may be levied by a county shall be designated for a particular purpose...The county shall identify the purpose of the sales tax when it is presented to the voters pursuant to the provisions of subsection A of this section...the proceeds of any sales tax levied by a county shall be deposited in the general revenue or sales tax revolving fund of the county and shall be used only for the purpose for which such sales tax was designated....”

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 2021-006 – Lack of Internal Controls and Noncompliance Over the Disbursement and Payroll Processes

Condition: Upon inquiry of county personnel, observation of the County’s disbursement and payroll processes, we noted the following:

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

- Payroll affidavits are not always signed by the department head.
- County paid benefits are not approved by the Board of County Commissioners. Only gross pay of employees is approved.

The test of fifty-eight (58) disbursements reflected the following:

- Two (2) disbursements totaling \$34,280 were made from Maintenance and Operations accounts instead of Capital Outlay accounts.
- Seventeen (17) disbursements for payroll benefits did not have approval from the Board of County Commissioners for the County portion of benefits.
- Two (2) disbursements totaling \$23,489 did not have adequate documentation to support the amount paid.
- Five (5) disbursements totaling \$33,294 did not contain evidence of review.

Cause of Condition: Policies and procedures have not been designed and implemented to strengthen internal controls over disbursements and to ensure compliance with state statute.

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

Recommendation: OSAI recommends the County implement a system of internal controls over the disbursement process. Such controls should include ensuring disbursements are supported by adequate documentation, disbursed from the correct account, all disbursements are approved by the Board of County Commissioners, and that purchase orders are made for appropriate expenses of the County.

Management Response:

Chairman of the Board of County Commissioners: As the Chairman of the Board of County Commissioners, I will tighten the internal controls on all disbursements presented to the Board. This will include ensuring disbursements are supported by adequate documentation, dispersed from the correct fund, disbursed for the correct amount and verify that all purchase orders are for the appropriate county expense. I will work with the County Clerk to establish a report for insurance and retirement benefits that will be presented to the Board with payroll.

County Clerk: To correct the lack of internal controls in the payroll process, I have created a form that will be presented to the Board of County Commissioners along with payroll. This form will be filled out at the completion of the payroll process. It will include the total amount of insurance and retirement that is encumbered for the month's payroll. The Board will be asked to review and initial the form. The form will be retained in the County Clerk's office. My office will do its due diligence to ensure that all documents are reviewed and attached to all purchases.

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

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

Objectives of an Entity – Compliance Objectives

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

Additionally, GAO Standards – Principle 6 – Define 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.

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

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

Finding 2021-011 – Lack of County-Wide Controls Over Major Program – Coronavirus Relief Funds

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

FEDERAL AGENCY: U.S. Department of Treasury

ASSISTANCE LISTING: 21.019

FEDERAL PROGRAM NAME: Coronavirus Relief Fund

FEDERAL AWARD YEAR: 2021

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

QUESTIONED COSTS: \$-0-

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

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

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: This condition resulted in 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: Pawnee County will work to implement internal controls to ensure we comply with all grant requirements.

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

Definition of Internal Control

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

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

Components, Principles, and Attributes

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

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

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

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

Finding 2021-012 – Lack of Internal Controls Over Major Federal Programs - Coronavirus Relief Fund

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

FEDERAL AGENCY: U.S. Department of Treasury

ASSISTANCE LISTING: 21.019

FEDERAL PROGRAM NAME: Coronavirus Relief Fund

FEDERAL AWARD YEAR: 2020

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

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

QUESTIONED COSTS: \$-0-

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

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

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

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

Management Response:

Chairman of the Board of County Commissioners: I will oversee the policies and procedures that will be established for major federal programs. This will ensure that Pawnee County is complaint with federal guidelines and will be informed on what is allowed or unallowed.

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).

Further, accountability and stewardship should be overall goals in management’s accounting of federal funds. Internal controls should be designed to monitor compliance with laws and regulations pertaining to grant contracts.

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

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

Finding 2021-009 - Lack of Internal Controls and Noncompliance Over the Inmate Trust Fund Checking Account and Sheriff Commissary Fund (Repeat Finding)

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

- The County does not have an adequate segregation of duties to ensure that duties assigned to individuals are done so in a manner that would not allow one individual to control both the recording function and the procedures relative to processing a transaction.
- Book-in cash was not properly secured and there are no procedures to ensure it was properly added to the inmate’s account or deposited into the bank account.
- Inmate ledger balances are not reconciled to the bank statement resulting in a \$3,887 unknown reconciling item.
- Commissary, damages by inmates, and medical in the amount of \$2,789 were not being timely deposited to the County Sheriff Commissary Fund and the Sheriff Service Fee fund.
- Deposits are not made daily.
- The annual report for the Sheriff’s Commissary Fund was not filed with the Board of County Commissioners by January 15th.
- There is no policy or procedure regarding unclaimed funds.
- Payments were made to the commissary vendor from of the Inmate Trust Fund Checking Account.
- One (1) check, on the June 2021 bank statement, only had one signature.

Cause of Condition: Policies and procedures have not been designed and implemented regarding the Inmate Trust Fund Checking Account and 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 inmates’ trust fund balances should be reconciled to the bank statements each month with someone other than the preparer reviewing it.

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

- Commissary, damages by inmates, and medical should be deposited timely in the County Sheriff Commissary Fund and Sheriff Service Fee Fund.
- All collections should be deposited daily.
- The annual report for the Sheriff's Commissary Fund should be filed with the Board of County Commissioners in accordance with 19 O. S. § 180.43 (D).
- Unclaimed inmate monies should comply with 22 O.S. § 1325 (F, H).
- Checks from the Inmate Trust Fund Checking Account should be written to the Sheriff Commissary Fund or to the inmate upon release in accordance with state statute.
- Checks written from the Inmate Trust Fund Checking Account should consist of two authorized signatures.

Management Response:

County Sheriff: The Sheriff's office will put into place new internal controls and checks and balances to ensure this is not a repeat finding. While this is a repeat finding from years prior, under a different administration, we are working to fix the issues. We have put into place internal controls and segregated duties to ensure the inmate ledger is reconciled to the bank statements. We have installed a money machine in the booking area to secure money immediately upon receiving the money. We have changed the procedures to require two people to remove the money from the machine and sign off on it as well as on the deposits.

We are striving to make daily deposits and ensure that the Commissary report is filed by January 15th of each year. We are working on implementing policies and procedures for all unclaimed funds by working with the DA's office for review, suggestions, and guidance.

The Sheriff's office (with the help from the County Clerk's office and SA&I) will provide sufficient training and better understanding for our billing clerk, so we can ensure payments are made from the proper accounts.

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,

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

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.

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

Internal Control System Monitoring

16.05 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 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.”

APPENDIX A

CORRECTIVE ACTION PLAN

(Prepared by County Management)

Charles Brown
District 1

Jerry Skidgel
District 2

Offices of
PAWNEE COUNTY COMMISSIONERS
PAWNEE COUNTY COURTHOUSE

500 Harrison Street – Room 104

Pawnee, Oklahoma 74058

(918) 762-3741

FAX (918) 762-3714

pawneecc@sbcglobal.net

Barry Donnelly
District 3

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

Finding No.	Title (Financial) or Assistance Listing No. (formerly CFDA No.) & Program Name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2021-004	Lack of Internal Controls and Noncompliance Over Discrete Presentation of Sales Tax Activity	This has been corrected and money is now being receipted into the correct Sales tax fund. All sales tax disbursements will follow the purchasing procedures.	6/30/22	County Treasurer
2021-006	Lack of Internal Controls and Noncompliance Over Disbursement and Payroll Process	To correct the lack of internal controls in the payroll process, I have created a form that will be presented to the Board of County Commissioners along with payroll. This form will be filled out at the completion of the payroll process. It will include the total amount of insurance and retirement that is encumbered for the month's payroll. The Board will be asked to review and initial the form. The form will be retained in the County Clerk's office. My office will do its due diligence to ensure that all documents are reviewed and attached to all purchases.	6/30/22	BOCC Chairman, County Clerk
2021-011	Lack of County-Wide Internal Controls Over Major Program	Pawnee County will work to implement internal controls to ensure we comply with all grant requirements.	6/30/2022	BOCC Chairman
2021-012	Lack of Internal Controls over Major Federal Program – Coronavirus Relief Fund	I will oversee the policies and procedures that will be established for major federal programs. This will ensure that Pawnee County is compliant with federal guidelines.	6/30/2022	BOCC Chairman

APPENDIX B

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

(Prepared by County Management)

Pawnee County had no Prior Year Findings to report.

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



Cindy Byrd, CPA | State Auditor & Inspector

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