



# PAYNE COUNTY

## Financial Report

For the fiscal year ended June 30, 2021

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

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

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This publication, issued by the Oklahoma State Auditor and Inspector's Office as authorized by 19 O.S. § 171, has not been printed, but is available on the agency's website ([www.sai.ok.gov](http://www.sai.ok.gov)) and in the Oklahoma Department of Libraries Publications Clearinghouse Digital Prairie Collection (<http://digitalprairie.ok.gov/cdm/search/collection/audits/>) pursuant to 65 O.S. § 3-114.



February 22, 2023

TO THE CITIZENS OF  
PAYNE COUNTY, OKLAHOMA

Transmitted herewith is the audit of Payne 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

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

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**Board of County Commissioners**

District 1 – Zachary Cavett

District 2 – Chris Reding

District 3 – Rocky Blasier

**County Assessor**

James Cowan

**County Clerk**

Glenna Craig

**County Sheriff**

Joe Harper

**County Treasurer**

Carla Manning

**Court Clerk**

Lori Allen

**District Attorney**

Laura Thomas

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

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**FINANCIAL SECTION**



## Independent Auditor's Report

TO THE OFFICERS OF  
PAYNE 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 Payne 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 Payne 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 Payne County as of June 30, 2021, or changes in financial position for the year then ended.

***Unmodified Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statement referred to above presents fairly, in all material respects, the total receipts, disbursements, and changes in cash balances for all county funds of Payne 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 February 21, 2023, on our consideration of Payne 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 Payne 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

February 21, 2023

**REGULATORY BASIS FINANCIAL STATEMENT**

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

|  | Beginning<br>Cash Balances<br>July 1, 2020 | Receipts<br>Apportioned | Transfers<br>In     | Transfers<br>Out    | Disbursements        | Ending<br>Cash Balances<br>June 30, 2021 |
|--|--|-------------------------|---------------------|---------------------|----------------------|--|
| County Funds:                                    |  |                         |                     |                     |                      |  |
| County General                                   | \$ 9,307,635                               | \$ 11,499,327           | \$ 1,333,625        | \$ -                | \$ 11,309,003        | \$ 10,831,584                            |
| County Highway Unrestricted                      | 1,421,892                                  | 4,309,393               | 4,219               | -                   | 3,544,303            | 2,191,201                                |
| Resale Property                                  | 1,477,170                                  | 632,613                 | 37                  | 770                 | 441,106              | 1,667,944                                |
| Health   | 3,797,018                                  | 1,925,782               | 3,916               | -                   | 729,211              | 4,997,505                                |
| Sheriff Service Fee                              | 626,809                                    | 1,816,009               | 73,158              | -                   | 1,204,296            | 1,311,680                                |
| Self Insurance Program                           | 4,027,044                                  | 1,408,295               | -                   | -                   | 515,116              | 4,920,223                                |
| Jail - ST  | 438,264                                    | 1,479,209               | 16,660              | -                   | 1,202,872            | 731,261                                  |
| Jail Debt Payments                               | 210,882                                    | 2,380,323               | -                   | -                   | 2,590,505            | 700                                      |
| 911 Phone Fees                                   | 1,147,989                                  | 745,846                 | -                   | -                   | 578,193              | 1,315,642                                |
| County Bridge and Road Improvement               | 1,230,362                                  | 289,995                 | -                   | -                   | 550,158              | 970,199                                  |
| Court Clerk Payroll                              | 37,812                                     | 339,371                 | -                   | -                   | 329,378              | 47,805                                   |
| Flood Plain                                      | 1,661                                      | -                       | -                   | -                   | -                    | 1,661                                    |
| Treasurer Mortgage Certification                 | 335,474                                    | 17,000                  | 440                 | -                   | 3,653                | 349,261                                  |
| County Clerk Lien Fee                            | 496,527                                    | 39,900                  | 6,459               | -                   | 37,716               | 505,170                                  |
| Sheriff Training                                 | 3,439                                      | 1,832                   | -                   | -                   | 530                  | 4,741                                    |
| Free Fair Board                                  | 386,259                                    | 136,544                 | 175                 | -                   | 27,792               | 495,186                                  |
| Assessor Revolving Fee                           | 12,157                                     | 5,089                   | 716                 | -                   | 12,621               | 5,341                                    |
| Sheriff Commissary                               | 97,795                                     | 247,115                 | -                   | -                   | 177,161              | 167,749                                  |
| Solid Waste Management                           | 84,757                                     | 61,814                  | -                   | -                   | 24,207               | 122,364                                  |
| Capital Projects                                 | 353  | -                       | -                   | -                   | -                    | 353                                      |
| County Clerk Records Management and Preservation | 354,102                                    | 138,975                 | 1,057               | -                   | 78,241               | 415,893                                  |
| Emergency Management                             | 27,967                                     | 33,930                  | -                   | -                   | 22,077               | 39,820                                   |
| Local Emergency Planning Committee               | 2,816                                      | -                       | -                   | -                   | -                    | 2,816                                    |
| Community Service Program                        | 174  | 27                      | -                   | -                   | -                    | 201                                      |
| Rural Fire - ST                                  | 2,321,989                                  | 741,845                 | 4,556               | -                   | 901,722              | 2,166,668                                |
| Extension - ST                                   | 783,032                                    | 309,385                 | 4,065               | -                   | 338,567              | 757,915                                  |
| Fair - ST  | 2,426,554                                  | 903,514                 | 2,951               | -                   | 809,138              | 2,523,881                                |
| General Gov't - ST                               | 2,074,875                                  | 663,208                 | -                   | -                   | 113,846              | 2,624,237                                |
| Roads & Bridges - ST                             | 6,021,146                                  | 2,342,483               | -                   | -                   | 5,552,722            | 2,810,907                                |
| Fire 3/8 - ST                                    | 778,659                                    | 220,989                 | 1,563               | -                   | 246,379              | 754,832                                  |
| Highway - ST                                     | -  | 566,165                 | -                   | -                   | -                    | 566,165                                  |
| County Donations                                 | -  | 100,000                 | -                   | -                   | -                    | 100,000                                  |
| COVID Aid and Relief                             | -  | 1,445,432               | -                   | 1,444,082           | 773                  | 577                                      |
| <b>Total - All County Funds</b>                  | <b>\$ 39,932,613</b>                       | <b>\$ 34,801,410</b>    | <b>\$ 1,453,597</b> | <b>\$ 1,444,852</b> | <b>\$ 31,341,286</b> | <b>\$ 43,401,482</b>                     |

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

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

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**1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

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

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

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

**B. Fund Accounting**

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

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

County General – accounts for revenues from ad valorem, officer's fees, interest earnings, and miscellaneous collections of the County. Disbursements are for the general operations of the County.

County Highway Unrestricted – accounts for revenues from state-imposed fuel taxes and miscellaneous receipts and disbursements are for the purpose of constructing and maintaining county roads and bridges.

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

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.

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

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Sheriff Service Fee – accounts for the collection and disbursement of sheriff process service fees as restricted by state statute. Disbursements are for any lawful expense of the Sheriff's office.

Self Insurance Program – accounts for the collection of use tax and royalty fees. Disbursements are for the general use of the County.

Jail – ST – accounts for collection of one-eighth (1/8%) sales tax allocated to county jail maintenance and operations.

Jail Debt Payments – accounts for collection of one-fourth (1/4%) sales tax apportioned through the county to the Payne County Facilities Authority for the construction and maintenance of the jail.

911 Phone Fees – accounts for monies received from private telephone companies for the operations of emergency 911 services.

County Bridge and Road Improvement – accounts for collections from state receipts. Disbursements are for the purpose of maintaining bridges and roads.

Court Clerk Payroll – accounts for a portion of Court Fund collections used to pay Court Clerk employees' salaries.

Flood Plain – accounts for monies from the Federal Government for the purpose of flood prevention.

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

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

Sheriff Training – accounts for the sale of property forfeited in drug cases and disbursements are for the purpose of officer training, equipment and crime prevention.

Free Fair Board – accounts for the collection of fees and donations from use of the fairground. Disbursements are for fairground and expo center maintenance and operation and capital improvements.

Assessor Revolving Fee – accounts for fees charged by the County Assessor. Disbursements as restricted by state statute.

Sheriff Commissary – accounts for collection of sale of commissary items to inmates. Disbursements as restricted by state statute.

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

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Solid Waste Management – accounts for the fees and reimbursement monies collected for the operation of a solid waste system.

Capital Projects – accounts for money left over from the building and equipping of the administration building which is to be used for renovations to the administration building.

County Clerk Records Management and Preservation – accounts for fees charged for recording instruments and used for maintenance and preservation of public records.

Emergency Management – accounts for monies from the Federal Government and State of Oklahoma for the operation of Emergency Management in the County.

Local Emergency Planning Committee – accounts for state grant monies and disbursed as restricted by the grant agreement.

Community Service Program – accounts for monies received through the courts for Directed Community Service.

Rural Fire – ST – accounts for the collection of one-sixteenth (1/16%) sales tax apportioned to all fire departments in the county.

Extension – ST – accounts for the portion of three-eighths (3/8%) sales tax for the operation of the County Extension Center as restricted by the sales tax ballot.

Fair – ST – accounts for the portion of three-eighths (3/8%) sales tax for the operation of the County Expo Center and Fairboard as restricted by the sales tax ballot.

General Gov't – ST – accounts for the portion of three-eighths (3/8%) sales tax for the operation of county government as restricted by the sales tax ballot.

Roads & Bridges – ST – accounts for the portion of three-eighths (3/8%) sales tax for the construction/maintenance of county roads and bridges as restricted by the sales tax ballot.

Fire 3/8 – ST – accounts for the portion of three-eighths (3/8%) sales tax apportioned by ballot for the operation of fire departments.

Highway – ST – accounts for the collection of one-fourth (1/4%) sales tax apportioned by ballot for the road and bridge materials and construction.

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

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

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COVID Aid and Relief – accounts for Covid Aid and Relief Economic Stimulus Monies received in response to the COVID-19 pandemic to assist local governments with necessary expenditures incurred due to the public health emergency with respect to COVID–19.

**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 May 31 of each year, each officer or department head submits an estimate of needs (budget) to the governing body. The budget is approved for the respective fund by office, or department and object. Within weeks, the County Budget Board may approve changes of appropriations within the fund by office or department and object.

**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

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

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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 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



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

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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.

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in management's opinion, the resolution of these matters will not have a material adverse effect on the financial condition of the County.

**D. Sales Tax**

The voters of Payne County approved a renewal of the three-eighths of one percent (3/8%) sales tax effective January 1, 2019 and set to expire on December 31, 2023. This sales tax was established to provide revenue for:

|  |     |
|--|-----|
| Road and Bridge Improvement                    | 53% |
| Expo Center and Fairboard                      | 20% |
| General Fund Purposes                          | 15% |
| Extension Center                               | 7%  |
| Fire Departments-Capital Outlay and Operations | 5%  |

These funds are accounted for in the Roads and Bridges – ST fund, Fair – ST fund, General Gov't – ST fund, Extension – ST fund, and the Fire 3/8 – ST fund, respectively.

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

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The voters of Payne County approved a one-sixteenth of one percent (1/16%) sales tax to assist the fire departments within Payne County for the purpose of operations, equipment purchases, and capital outlay. This sales tax was renewed April 1, 2017 with an effective date of April 1, 2018 and shall terminate on March 31, 2028. These funds are accounted for in the Rural Fire – ST fund.

The voters of Payne County approved a one-fourth of one percent (1/4%) sales tax for the acquiring, construction, furnishing and equipping of the new County Jail effective April 1, 2006 and terminated on March 31, 2021. These funds are accounted for in the Jail Debt Payments fund.

The voters of Payne County approved a one-eighth of one percent (1/8%) sales tax for the payment of the costs of operation and maintenance of the county jail effective April 1, 2006 and has an unlimited duration. The funds are accounted for in the Jail – ST fund.

The voters of Payne County approved a one-fourth of one percent (1/4%) sales tax for the purpose of purchasing road and bridge materials and road and bridge construction services effective April 1, 2021 and shall terminate on March 31, 2031. These funds are accounted for in the Highway – ST fund.

**E. Interfund Transfers**

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

- \$1,444,082 was transferred from the COVID Aid and Relief fund for reimbursement of CARES Act expenditures to the following funds:
  - \$1,324,110 to the County General fund
  - \$4,219 to the County Highway Unrestricted fund
  - \$37 to the Resale Property fund
  - \$3,916 to the Health fund
  - \$73,158 to the Sheriff Service Fee fund
  - \$16,660 to the Jail – ST fund
  - \$440 to the Treasurer Mortgage Certification fund
  - \$6,459 to the County Clerk Lien Fee fund
  - \$175 to the Free Fair Board fund
  - \$716 to the Assessor Revolving Fee fund
  - \$1,057 to the County Clerk Records Management & Preservation fund
  - \$4,556 to the Rural Fire – ST fund
  - \$4,065 to the Extension – ST fund
  - \$2,951 to the Fair – ST fund
  - \$1,563 to the Fire 3/8 – ST fund
- \$770 was transferred from the Resale Property fund to the Official Depository, a trust and agency fund, to correct a prior year error.
- \$9,515 was transferred from the District Attorney Revolving fund, a trust and agency fund, to the County General fund to correct a prior year warrant error.

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

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**F. Special Items**

**Investigative Audit**

The State Auditor and Inspector's Office has been requested to conduct a special investigative audit to be performed on the County Sheriff's office for the period of January 6, 2009, through November 29, 2021. This audit and any findings will be issued in a separate report and are not expected to have a material effect on the basic financial statement as of and for the year ending June 30, 2021.

**SUPPLEMENTARY INFORMATION**

**PAYNE 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                   | \$ 128,575           | \$ 115,764           | \$ 12,811           |
| County Treasurer                    | 175,155              | 164,705              | 10,450              |
| County Commissioners                | 306,632              | 299,090              | 7,542               |
| County Clerk                        | 465,409              | 469,399              | (3,990)             |
| Early Settlement                    | 96,730               | 94,387               | 2,343               |
| Court Clerk                         | 477,625              | 464,946              | 12,679              |
| County Assessor                     | 547,511              | 565,096              | (17,585)            |
| Revaluation of Real Property        | 995,050              | 937,391              | 57,659              |
| General Government                  | 7,976,054            | 404,577              | 7,571,477           |
| Excise-Equalization Board           | 6,000                | 3,391                | 2,609               |
| County Election Board               | 172,708              | 180,151              | (7,443)             |
| Insurance - Benefits                | 3,150,467            | 2,827,182            | 323,285             |
| Building Engineer                   | 112,658              | 109,067              | 3,591               |
| County Audit Budget Account         | 239,017              | 239,017              | -                   |
| CLEAN                               | 15,250               | 12,347               | 2,903               |
| County Sheriff                      | 2,754,295            | 3,116,723            | (362,428)           |
| Emergency Management                | 108,760              | 162,583              | (53,823)            |
| Jail Operations                     | 1,600,000            | 1,798,613            | (198,613)           |
| Solid Waste                         | 172,500              | 151,207              | 21,293              |
| Reward Fund                         | 3,000                | -                    | 3,000               |
| Emergency Operations                | 55,200               | -                    | 55,200              |
| Prior Year Lapsed Appropriation     | -                    | (156,629)            | 156,629             |
| Total Expenditures, Budgetary Basis | <u>\$ 19,558,596</u> | <u>\$ 11,959,007</u> | <u>\$ 7,599,589</u> |

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

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|                                     | Budget       | Actual       | Variance     |
|-------------------------------------|--------------|--------------|--------------|
| Health and Welfare                  | \$ 5,373,719 | \$ 1,268,012 | \$ 4,105,707 |
| Prior Year Lapsed Appropriation     | -            | (94,546)     | 94,546       |
| Total Expenditures, Budgetary Basis | \$ 5,373,719 | \$ 1,173,466 | \$ 4,200,253 |

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

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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 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**



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

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| Federal Grantor/Pass-Through<br>Grantor/Program Title                     | Federal<br>Assistance<br>Listing | Pass-Through<br>Grantor's<br>Number | Federal<br>Expenditures |
|---|----------------------------------|-------------------------------------|-------------------------|
| <b>U.S. DEPARTMENT OF AGRICULTURE</b>                                     |                                  |                                     |                         |
| Direct Grant:   |                                  |                                     |                         |
| Schools and Roads - Grants to Counties                                    | 10.666                           | N/A                                 | \$ 15,703               |
| Total U.S. Department of Agriculture                                      |                                  |                                     | <u>15,703</u>           |
| <b>U.S. DEPARTMENT OF TREASURY</b>  |                                  |                                     |                         |
| Passed Through the Oklahoma Office of Management and Enterprise Services: |                                  |                                     |                         |
| COVID-19 Coronavirus Relief Fund  | 21.019                           | SA-0272                             | 1,445,197               |
| Total U.S. Department of Treasury   |                                  |                                     | <u>1,445,197</u>        |
| <b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>                               |                                  |                                     |                         |
| Passed Through the Oklahoma Department of Emergency Management:           |                                  |                                     |                         |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters)   | 97.036                           | DR-4438                             | 900,923                 |
| Emergency Management Performance Grants                                   | 97.042                           | EMPG-2020, EMPG-2021                | 22,077                  |
| Total U.S. Department of Homeland Security                                |                                  |                                     | <u>923,000</u>          |
| <b>Total Expenditures of Federal Awards</b>                               |                                  |                                     | <u>\$ 2,383,900</u>     |

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

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Basis of Presentation

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

Payne 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 17, 2020, the President of the United States signed the Coronavirus Aid, Relief, and Economic Security (CARES) Act into law. Payne County received \$1,445,197 in federal relief funds. The County incurred \$531,584 of eligible expenses 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 statement. Therefore, expenditures in the schedule of expenditures of federal awards for Assistance Listing Number (ALN) 21.019 – Coronavirus Relief Fund includes \$531,584 in eligible expenditures incurred in the fiscal year ending June 30, 2020, and all eligible expenditures that were incurred in fiscal year ending June 30, 2021, totaling \$1,445,197.

On June 1, 2019, the President of the United States approved a Major Disaster Declaration for Payne County in response to Oklahoma severe storms, straight-line winds, tornadoes, and flooding occurring May 7, 2019 through June 9, 2019 in DR-4438. The County incurred \$667,088 in eligible expenditures in the prior fiscal year ending June 30, 2020. The Federal Emergency Management Agency approved eleven (11) project worksheets for this disaster in the fiscal year ending June 30, 2021. Therefore, expenditures on the schedule of expenditures of federal awards for ALN 97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters) includes \$667,088 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 \$900,923.

**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  
PAYNE 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 Payne County, Oklahoma, as of and for the year ended June 30, 2021, and the related notes to the financial statement, which collectively comprise Payne County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated February 21, 2023.

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 Payne 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 Payne County's internal control. Accordingly, we do not express an opinion on the effectiveness of Payne County's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not

identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses: 2021-001 and 2021-002.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Payne County's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

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

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

February 21, 2023



**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  
PAYNE COUNTY, OKLAHOMA

**Report on Compliance for Each Major Federal Program**

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

**Basis for Qualified Opinion on ALN #97.036 - Disaster Grants - Public Assistance (Presidentially Declared Disasters)**

As described in Finding 2021-007 in the accompanying schedule of findings and questioned costs, Payne County did not comply with requirements regarding the following:

| <b>Finding #</b> | <b>ALN</b> | <b>Program (or Cluster) Name</b>  | <b>Compliance Requirement</b>   |
|------------------|------------|---|---------------------------------|
| 2021-007         | 97.036     | Disaster Grants - Public Assistance (Presidentially Declared Disasters) | Activities Allowed or Unallowed |
| 2021-007         | 97.036     | Disaster Grants - Public Assistance (Presidentially Declared Disasters) | Allowable Costs/Cost Principles |
| 2021-007         | 97.036     | Disaster Grants - Public Assistance (Presidentially Declared Disasters) | Period of Performance           |
| 2021-007         | 97.036     | Disaster Grants - Public Assistance (Presidentially Declared Disasters) | Reporting                       |
| 2021-007         | 97.036     | Disaster Grants - Public Assistance (Presidentially Declared Disasters) | Special Tests and Provisions    |

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

**Qualified Opinion on ALN 97.036 - Disaster Grants - Public Assistance (Presidentially Declared Disasters)**

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Payne County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Disaster Grants - Public Assistance (Presidentially Declared Disasters) for the year ended June 30, 2021.

**Unmodified Opinion on Each of the Other Major Federal Programs**

In our opinion, Payne County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal program identified in the summary of the auditor’s results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2021.

**Other Matters**

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2021-009. Our opinion on each major federal program is not modified with respect to these matters.

Payne County’s response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Payne County’s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**Report on Internal Control Over Compliance**

Management of Payne 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 Payne 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 Payne 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 2021-004, 2021-005, and 2021-006, that we consider to be material weaknesses.

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

Payne 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. Payne 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

February 21, 2023



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

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**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? ..... No

Federal Awards

Internal control over major programs:

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

Type of auditor's report issued on  
compliance for major programs: .....Qualified for 97.036; Unmodified for 21.019

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>ALN Number(s)</u> | <u>Name of Federal Program or Cluster</u>                                  |
|----------------------|--|
| 97.036               | Disaster Grants - Public Assistance<br>(Presidentially Declared Disasters) |
| 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

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

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

**Finding 2021-001 – Lack of County-Wide Internal Controls (Repeat Finding - 2011-001, 2012-001, 2013-001, 2014-001, 2015-001, 2016-001, 2017-001, 2018-001, 2019-001, 2020-001)**

**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, Information and Communication and Monitoring have not been designed.

In addition, it was noted that when the handbook was updated, communication to employees through acknowledgments were not updated.

**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:** Per the auditor’s previous request and guidance, we used their provided sheet and discussed one section each month for each of the sections. However, this stopped for the year when each section had been covered. We will reinstitute this practice, continuing and repeating through the topics throughout the year as a continual process.

Further, we will endeavor to pass these findings and recommendations down to the front-line employees who would benefit most.

**County Clerk:** This is a repeat finding for Payne County, and one that I, as the County Clerk, have no control over the implementation of. I communicate with each official regarding the policies and procedures of my office by phone call and email. I would value and appreciate open communication in a monthly meeting regarding this area with all the county elected officials.

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

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Policies and procedures for the county regarding personnel policies are discussed as a board, but in November of 2021, I requested an item on the agenda for Budget Board to discuss safety awards for county employees. I wanted to discuss the process, and the method that the county would use, and who should be awarded safety awards in an open communication for all of us to discuss and understand moving forward after communication with the Assistant District Attorney (ADA) on how this should be done when I questioned a purchase by the Commission for jackets labeled as safety awards. I was told by the Chairman of the Commission that this would need to be discussed with the Commission, and he refused to place the item on the Budget Board agenda, after I, the Elected Official and member of the board requested. The ADA was included in these email communications and was aware of the Chairman's denial to place the item on the agenda and did not support me in this regard.

Payne County will not be able to openly discuss important items and issues if the Chairman of the Budget Board refuses to put items on the agenda requested by the members and hinders the communication of the elected officials by doing so and violates the open meeting and open records procedures by ignoring this request. I have provided email, minutes, and agenda documentation for this finding to support the above.

**County Treasurer:** Various data reconciliations in office and between county offices will continue to be expanded, monitored and analyzed for improvement. The Budget Board will continue open discussion on ideas and procedures to strengthen the effectiveness and efficiency of the county work flow and 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 quasi-governmental entities.

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

*Definition of Internal Control*

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

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

*Components, Principles, and Attributes*

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

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

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

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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 2021-002 – Reconciliation of Appropriation Ledger to the General Ledger (Repeat Finding 2020-002)**

**Condition:** Based on our documentation of controls, reconciliations are not being performed between the County Clerk’s appropriation ledger and the County Treasurer’s general ledger for all funds and on a monthly basis.

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

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

**Recommendation:** OSAI recommends management take steps to ensure monthly reconciliations are performed between all funds presented on the County Clerk’s appropriation ledger and the County Treasurer’s general ledger. Documentation of this reconciliation should be reviewed and approved by someone other than the preparer.

**Management Response:**

**Chairman of the Board of County Commissioners:** The County Clerk’s and County Treasurer’s offices have designated personnel who will now do this monthly.

**County Clerk:** This is a repeat finding. My office balances all accounts on a daily, weekly, and monthly basis. My office has not balanced the General Fund with the County Treasurer, as we only hold the appropriated accounts information. My office was under the assumption that the County Treasurer’s office was balancing with our ledgers, as they get them monthly from my office and have not communicated that they are unable to do so. My office will reach out to the County Treasurer and her staff to help produce a report that balances each month with the general ledger.

**County Treasurer:** The offices of County Treasurer and County Clerk are working together to implement a process conducive to both offices that will streamline and simplify the monthly reconciliation of all funds.

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

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

*Internal Control System Monitoring*

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

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

**Finding 2021-004 – Lack of County-Wide Internal Controls Over Major Federal Programs**

**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 NUMBER:** SA-0272

**FEDERAL AWARD YEAR:** 2020

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

**PASS THROUGH GRANTOR:** Oklahoma Department of Emergency Management

**FEDERAL AGENCY:** FEMA

**ASSISTANCE LISTING:** 97.036

**FEDERAL PROGRAM NAME:** Disaster Grants – Public Assistance (Presidentially Declared Disasters)

**FEDERAL AWARD NUMBER:** DR-4438

**FEDERAL AWARD YEAR:** 2020

**CONTROL CATEGORY:** Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Period of Performance; Reporting; and Special Tests and Provisions.

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

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure the County complies with grant requirements.

**Effect of Condition:** This condition could result in noncompliance with grant requirements.

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

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

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**Management Response:**

**County Commissioner District 1:** It will be my intent to utilize the “County-wide Checklist” provided by OSAI to discuss potential risks within the county, including discussing Federal Programs, compliance supplements & deadlines.

**County Clerk:** As the County Clerk, my office has taken on the responsibility to gather all information to be copulated on the county SEFA Report. My office sends out emails several times a year requesting information on any department’s Federal money, information on grants, etc. My office works with the County Treasurer’s office to try and identify when Federal monies have been deposited to track that information. Every year when I send out the estimate of needs for the county, I also attach a blank SEFA report and request that each department report any Federal money to my office. I do not have any control over the Budget Board agenda, that would be the Chairman of the Board of County Commissioners to place for discussion of all officials, which I would welcome.

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

*Definition of Internal Control*

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

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

*Components, Principles, and Attributes*

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

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

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

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

**Finding 2021-005 – 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

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

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**ASSISTANCE LISTING:** 21.019

**FEDERAL PROGRAM NAME:** Coronavirus Relief Fund

**FEDERAL AWARD NUMBER:** SA-0272

**FEDERAL AWARD YEAR:** 2020

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

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

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

**Management Response:**

**Chairman of the Board of County Commissioners:** CARES Act monies came in with minimal instruction and direction. In the case of purchases that were not clearly stated as part of the program, but still potentially acceptable, I know that several items were called about and cleared as acceptable for purchase within the program prior to ordering. However, in retrospect, we would have been better off to demand a list of guidelines, and then share those guidelines with everyone in regard to this. In the future, we will get a set of written instructions for any grant coming in, and disseminate across the impacted officers.

**County Clerk:** The Payne County Clerk's Office was the office that would submit purchases for reimbursement on behalf of the county officials through the CARES Act state system set up by OMES. My office tracked each request of purchase-by-purchase order number, down to the warrant, purchase order number, and purpose. The transfer of the funds back to the departments was handled by the Payne County Chairman of the Board of County Commissioners and presented to the Budget Board for transfer approval. We filed all guidelines given to us by OMES and entrusted that they were vetting the requests as allowable expenditures.

**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

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

*Objectives of an Entity – Compliance Objectives*

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

**Finding 2021-006 – Lack of Internal Controls Over Major Federal Programs – Disaster Grants – Public Assistance (Presidentially Declared Disasters)**

**PASS-THROUGH GRANTOR:** Oklahoma Department of Emergency Management

**FEDERAL AGENCY:** U.S. Department of Homeland Security

**ASSISTANCE LISTING:** 97.036

**FEDERAL PROGRAM NAME:** Disaster Grants – Public Assistance (Presidentially Declared Disasters)

**FEDERAL AWARD NUMBER:** DR-4438

**FEDERAL AWARD YEAR:** 2020

**FEDERAL AWARD NUMBER:** N/A

**CONTROL CATEGORY:** Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Period of Performance; Reporting; and Special Tests and Provisions.

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

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure compliance with federal grant requirements.

**Effect of Condition:** This condition has resulted in noncompliance to grant requirements and loss of federal funds to the County.

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



**PAYNE COUNTY, OKLAHOMA  
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**Management Response:**

**Chairman of the Board of County Commissioners:** We will work harder to collect, create and maintain better records pertaining to all emergencies and federal grants.

**County Clerk:** The request for these funds is done by the Board of County Commissioners and is not discussed in Budget Board with all officials. This is monies that the Commission typically asks for in major disasters like floods, ice, tornados, fire, etc. As an elected official and member of the Budget Board, I would welcome any discussion of all officials regarding these funds, and the request of funds.

**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 of the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

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

*Objectives of an Entity – Compliance Objectives*

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

**Finding 2021-007 – Noncompliance with Compliance Requirements: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Period of Performance; Reporting; and Special Tests and Provisions – Disaster Grants – Public Assistance (Presidentially Declared Disasters)**

**PASS-THROUGH GRANTOR:** Oklahoma Department of Emergency Management

**FEDERAL AGENCY:** U.S. Department of Homeland Security

**ASSISTANCE LISTING:** 97.036

**FEDERAL PROGRAM NAME:** Disaster Grants – Public Assistance (Presidentially Declared Disasters)

**FEDERAL AWARD YEAR:** 2020

**FEDERAL AWARD NUMBER:** DR-4438

**CONTROL CATEGORY:** Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Period of Performance; Reporting; and Special Tests and Provisions.

**QUESTIONED COSTS:** \$566,892

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**Condition:** During inquiry of county personnel, review, and a test of 100% of FEMA expenditures which included eleven (11) project worksheets totaling \$1,179,115, the following was noted:

Project Worksheet 958 (D1) Questioned Cost - \$148,106

- The County was unable to produce personnel records for labor that detailed employee hours spent on each site for the project in the amount of \$31,414.
- The County was unable to produce personnel records for labor that subsequently resulted in equipment costs not being able to be traced to an employee in the amount of \$102,175.
- The County was unable to produce Daily Activity Reports causing \$14,517 in material costs to be left unsubstantiated.
- The County did not provide the Oklahoma Department of Emergency Management with quarterly reports.

Project Worksheet 987 (D1) Questioned Cost - \$98,127

- The County was unable to produce personnel records for labor that detailed employee hours spent on each site for the project in the amount of \$17,401.
- The County was unable to produce personnel records for labor that subsequently resulted in equipment costs not being able to be traced to an employee in the amount of \$64,825.
- The County was unable to produce Daily Activity Reports causing \$15,901 in material costs to be left unsubstantiated.
- The County did not provide the Oklahoma Department of Emergency Management with quarterly reports.

Project Worksheet 1015 (D1) Questioned Cost - \$68,801

- The County was unable to produce personnel records for labor that detailed employee hours spent on each site for the project in the amount of \$17,060.
- The County was unable to produce personnel records for labor that subsequently resulted in equipment costs not being able to be traced to an employee in the amount of \$51,741.
- The County did not provide the Oklahoma Department of Emergency Management with quarterly reports.

Project Worksheet 1017 (D1) Questioned Cost - \$89,527

- The County was unable to produce personnel records for labor that detailed employee hours spent on each site for the project in the amount of \$19,005.
- The County was unable to produce personnel records for labor that subsequently resulted in equipment costs to not be traced to an employee in the amount of \$70,522.
- The County did not provide the Oklahoma Department of Emergency Management with quarterly reports.

Project Worksheet 1030 (D1) Questioned Cost - \$53,543

- The County was unable to produce personnel records for labor that detailed employee hours spent on each site for the project in the amount of \$13,417.

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- The County was unable to produce personnel records for labor that subsequently resulted in equipment costs not being able to be traced to an employee in the amount of \$39,564.
- The County was unable to produce Daily Activity Reports causing \$562 in material costs to be left unsubstantiated.
- The County did not provide the Oklahoma Department of Emergency Management with Quarterly Reports.

Project Worksheet 1036 (D1) Questioned Cost - \$42,382

- The County was unable to produce personnel records for labor that detailed employee hours spent on each site for the project in the amount of \$12,396.
- The County was unable to produce personnel records for labor that subsequently resulted in equipment costs to not be traced to an employee in the amount of \$29,690.
- The County was unable to produce Daily Activity Reports causing \$296 in material costs to be left unsubstantiated.
- The County did not provide the Oklahoma Department of Emergency Management with quarterly reports.

Project Worksheet 1017 (D1) Questioned Cost - \$66,406

- The County was unable to produce personnel records for labor that detailed employee hours spent on each site for the project in the amount of \$17,347.
- The County was unable to produce personnel records for labor that subsequently resulted in equipment costs to not be traced to an employee in the amount of \$49,059.
- The County did not provide the Oklahoma Department of Emergency Management with quarterly reports.

Project Worksheet 797 (D1)

- Project was not completed by December 1, 2020.
- The County did not provide the Oklahoma Department of Emergency Management with quarterly reports.

Project Worksheet 730 (D3)

- The County did not provide the Oklahoma Department of Emergency Management with quarterly reports.

Project Worksheet 802 (D3)

- The County did not provide the Oklahoma Department of Emergency Management with quarterly reports.

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

**Effect of Condition:** These conditions resulted in noncompliance with grant requirements and could result in loss of federal funding to the County.

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**Recommendation:** OSAI recommends the County gain an understanding of the compliance requirements for federal programs and implement internal control procedures to ensure compliance with all requirements. We further recommend that all documentation be properly maintained for inspection.

**Management Response:**

**Chairman of the Board of County Commissioners:** We will encourage the road districts to keep better records so as to avoid findings like this, and the potential loss of compensation that is actually due. We will also encourage better awareness of required reports.

**County Commissioner District 1:** It will be my intent to utilize the “County-wide Checklist” provided by OSAI discuss potential risks within the county, including discussing Federal Programs, compliance supplements & deadlines, including better documentation regarding employee’s daily activity sheets.

**County Commissioner District 3:** We did not know anything about having to file a quarterly report to the Oklahoma Department of Emergency Management for the projects that we received funds from. We will be sure to do this going forward.

**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).

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

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

Title 2 *CFR § 200.84 Questioned Cost* reads as follows:

Questioned cost means a cost that is questioned by the auditor because of an audit finding:

- (a) Which resulted from a violation or possible violation of a statute, regulation, or the terms and conditions of a Federal award, including for fund used to match Federal funds;
- (b) Where the costs, at the time of the audit, are not supported by adequate documentation; or
- (c) Where the costs incurred appear unreasonable and do not reflect the actions a prudent person would take in the circumstances.

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Further, 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. [...]

**Finding 2021-009 – Lack of Internal Controls and Noncompliance to Uniform Administrative Requirements for Federal Awards**

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

**FEDERAL AGENCY:** U.S. Department of Treasury

**ALN:** 21.019

**FEDERAL PROGRAM NAME:** Coronavirus Relief Fund

**FEDERAL AWARD NUMBER:** SA-0272

**FEDERAL AWARD YEAR:** 2020

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

**PASS-THROUGH GRANTOR:** Oklahoma Emergency Management

**FEDERAL AGENCY:** FEMA

**ALN:** 97.036

**FEDERAL PROGRAM NAME:** Disaster Grants - Public Assistance (Presidentially Declared Disasters)

**FEDERAL AWARD NUMBER:** DR-4438

**FEDERAL AWARD YEAR:** 2020

**CONTROL CATEGORY:** Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Period of Performance; Reporting; and Special Tests and Provisions.

**Condition:** Payne County did not prepare the Corrective Action Plan and the Notes to the Schedule of Federal Awards.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure compliance with uniform administrative requirements.

**Effect of Condition:** This condition resulted in noncompliance with uniform administrative requirements.

**Recommendation:** OSAI recommends that the County gain an understanding of requirements regarding Uniform Guidance. Internal control procedures should be designed and implemented to ensure compliance with Uniform Guidance.

**Management Response:**

**Chairman of the Board of County Commissioners:** Management chose not to respond.

**PAYNE COUNTY, OKLAHOMA  
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**Criteria:** Title 2 *CFR* § 200.511(a) *Audit findings follow-up*, reads as follows:

The auditee is responsible for follow-up and corrective action on all audit findings. As part of this responsibility, the auditee must prepare the Notes to the Schedule of Federal Awards. The auditee must also prepare a corrective action plan for the current audit findings.

**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 2021-003 – Lack of Internal Controls and Noncompliance Over the Use of Credit Cards (Repeat Finding)**

**Condition:** Upon inquiry of county personnel, and review of disbursement data, it was noted that the County has established credit cards with multiple vendors. The following was noted:

- The County has two (2) credit cards with Vendor A.
  - Sheriff’s Office has a credit limit of \$3,000.
  - Highway District 1 has a credit limit of \$7,500.
- The County has two (2) credit cards with Vendor B.
  - Solid Waste has a credit limit of \$14,500.
  - Sheriff’s Office has a credit limit of \$14,500.
- The County has two (2) credit cards with Vendor C.
  - The accounts with Vendor C are in the name of a former Payne County employee that has not been employed with the County since August of 2013.
  - Sheriff’s Office has both cards, and the credit limit on each is \$8,000.
- The County has one (1) credit card with Vendor D.
  - Highway District 1 has a credit limit of \$5,000.

Further, eleven (11) purchase orders for the Sheriff’s statutorily allowed credit cards were reviewed. The following was noted:

- Three (3) unallowable expenses on the credit card were paid in the amount totaling \$31.
  - An entertainment expense was purchased for a total of \$2.
  - Daily per diem rates for food purchases were exceeded by \$26.
  - An international transfer fee was charged for a total of \$3.
- Adequate documentation was not kept for a previous balance and the itemized receipts for one (1) hotel stay and three (3) food receipts totaling \$439.
- Three (3) purchase orders incurred expenses prior to encumbrance totaling \$765.

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- One 12-month subscription was not purchased at the beginning of the fiscal year, resulting in expended current year monies going into the next fiscal year totaling an amount of \$30.
- Sales tax was paid on in-state food purchases for the total amount of \$44.
- General Services Administration (GSA) rates for hotel stays were exceeded totaling \$219.
- Interest and late fees were paid on purchases totaling \$261.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure compliance with state statute and to strengthen internal controls over the County's credit cards and use of credit cards.

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

**Recommendation:** OSAI recommends that the County eliminate all credit cards other than the statutorily allowed Sheriff's credit cards, as well as design and implement policies and procedures to ensure that the Sheriff's department request approval from the Board of County Commissioners to apply for a credit card or cards for the purchase of materials, supplies or services necessary for travel out of the County. The application shall be made in the name of the County and any credit cards must be issued in the name of the County in accordance with 19 O.S. § 1506. OSAI recommends Sheriff's credit cards not exceed conditions outlined in state statute, all expenses are supported by documentation, all amounts do not exceed the GSA state rate, encumbrance is made prior to receiving goods or services, and invoices should be timely paid to avoid interest and late fees.

**Management Response:**

**Chairman of the Board of County Commissioners:** The county has/had accounts with various vendors that simplified the purchasing process while still maintaining the county purchasing act standards. Recently, the vendors changed how they operated these accounts and more importantly, WHO operated the accounts. Even though we continued to have a purchase order in place before purchase, and pay in full every month, the accounts became what looks like credit card accounts to the auditors. We will consult the vendors and see if we can set up an account for purchases that do not use cards, as have been arranged in other communities. However, we would also encourage the State Auditor's office to work with the State legislature to update the purchasing process to more adequately reflect the way business is conducted in 2022 and beyond. The P-Card process is onerous, at best. Some sort of card, functioning without interest or the ability to make or extend payments, like had been in use up to the finance portion being sold to actual credit card companies, worked very well in conjunction with purchase orders in allowing purchases in a simple and timely manner. Individual employees could be held personally responsible for expenses that are otherwise not allowed or inadequately supported with receipts. Abuses could, and should, be handled in such a way as to be very painful to experience and watch, swift and punitive, and administered at the state level to avoid putting the local District Attorney in an awkward spot. Generally, these abuses are pretty clear, like lingerie, tires for personal vehicles, or hunting rifles, and should be handled very quickly and publicly. Just a thought as we in county government struggle to conduct business in a quickly changing business environment.

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**County Commissioner District 1:** It will be my intent to contact the select vendors listed and attempt to get set up for them to accept purchase orders from Payne County.

**County Clerk:** This is a repeat finding. I, as the County Clerk, have tried on numerous occasions since 2018 to get a directive and opinion from the Payne County District Attorney's (DA) office on credit cards, and charge card use for Payne County departments. In 2019, I requested information as to charges on the Sheriff's credit card to meals, travel, and expense that far exceeded what was allowed on the county travel, and per-diem policy, as well as questionable travel and charges that did not look like they were training, or travel that was recognized or approved by the statutes. The DA's office asked for an Attorney General's Opinion in regard to the Sheriff Department expenditures on the credit cards that exceeded the allowable charge limit, number of cards issued to the department, as well as expenditures. I, as the County Clerk, questioned in 2018 the charging by use of cards at a vendor and was told at the time by the Payne County Assistant District Attorney (ADA) that as long as the purchase order was in place before the card was swiped, then the card could be used even though I questioned if this was a credit card. Again in 2021, I as the County Clerk, questioned the use of the credit cards, as they are now being issued by a very well-known credit card company. When I asked again for an opinion from the DA's office on the use of these cards that appear to be a credit card, I was told that the individual officials must determine if these are credit cards. They do not give opinions on matters of fact. I again asked for their opinion to help determine if these are credit cards, and should they be used by Payne County Departments, and I received an email from the ADA with "No Reply" to my email, and no opinion was given to me, or my office giving directions on if the credit cards, and if these credit cards should be used for purchases. I believe that I was not given the legal guidance that I am allowed by the law regarding this matter by my statutory legal counsel, nor was my purchasing agent. I view these as credit cards, and my office has cancelled the card associated with my office, but other officials continue to use them.

**County Sheriff:** Supervisors have made employees aware of proper procedure for credit card use and what can be purchased. Also noting per diem and the county will not pay entertainment expense while dining. GSA rates are followed when possible, in some instances there have been events unaware to deputies in the area they have travelled to providing them no other option for lower priced stays. Interest and late fee were accumulated due to billing cycles, it has been addressed and fixed.

**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.



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Additionally, 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. § 1506 prescribes the procedures for the application and use of County credit cards.

**Finding 2021-008 – Lack of Internal Controls Over Security Key Access**

**Condition:** Through the process of gaining an understanding of the County’s internal controls and risks with regard to the three hundred fifty-two (352) key cards with access to county buildings, the following was noted:

- One hundred seventy-seven (177) key cards were issued to non-county employees.
- It was further noted that two (2) key cards were issued to spouses of county employees.

**Cause of Condition:** Policies and procedures have not been designed and implemented to address the return of security key cards once an employee is no longer working for the County.

**Effect of Condition:** Without added security on who has access into the County buildings, there is greater risk of unauthorized acquisition and misappropriation of funds and/or assets.

**Recommendation:** OSAI recommends that the County design and implement a system of internal control procedures to identify and address risks related to the security of county assets.

**Management Response:**

**Chairman of the Board of County Commissioners:** We will work with the Sheriff’s office to develop better controls over key cards and building access, especially in regard to building access. I know that since this was identified, a major cleaning of the key card list has taken place, and new standards put in place for who has cards and access to certain areas.

**County Sheriff:** The old access key card database did not allow for ease of access when trying to determine if key cards were current or had been decommissioned. This office has cleared all old users and remade access cards for current employees of the county only.

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**Criteria:** The GAO Standards – Section 1 – Fundamental Concepts of Internal Control – OV1.05 states in part:

*Definition of Internal Control*

Internal control is not one event, but a series of actions that occur throughout an entity's operations. Internal control is recognized as an integral part of the operational processes management uses to guide its operations rather than as a separate system within an entity.

Additionally, GAO Standards – Section 1 – Objectives of an Entity – OV2.24 states in part:

*Safeguarding of Assets*

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

**APPENDIX**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**(Prepared by County Management)**

# Payne County Board of Commissioners

315 W. 6th Avenue, Suite 203  
Stillwater, Oklahoma 74074

County Administration Building



(405) 624-9300  
Fax (405) 624-9325

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

### FINANCIAL AUDIT FINDINGS

#### **Finding 2014-001, 2015-001, 2016-001., 2017-001, 2018-001, 2019-01, 2020-001**

##### **Inadequate County-Wide Controls**

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

**Status:** Partially Corrected-The issue of countywide controls continues to be a focus, as the Board of Commissioners and the Budget Board are constantly looking for ways to improve. We have initiated regular discussions at our monthly meetings to identify and correct any shortcomings.

#### **Finding 2014-005, 2015-005, 2016-006**

##### **Inadequate Internal Controls and Noncompliance Over County Sales Tax Collections**

**Finding Summary:** There were no internal controls in place to ensure sales tax funds are appropriate in accordance with sales tax ballots. The budget maker made management decisions regarding sales tax balances. The County commingled the three-eighths percent for fire department with the one-sixteen percent sales tax in the General fund. The County did not track the true balances of the three-eighths percent in its respective accounts. The County did not track the carryover balance of the three-eighths percent from year to year. The budget maker uses a percentage of the three-eighth percent carryover amounts to be used to fund the Contingency Fund. The County is not tracking the interest collected from the three-eighths sale tax proceeds.

**Status:** Fully Corrected

#### **Finding 2014-006**

##### **Inadequate I/C and NC with State Statute Regarding Bidding Procedures**

**Finding Summary:** During our test of unpredictability we selected five (5) items from the six-month bid list, five (5) high dollar items purchased, and three (3) lease purchased item to determine the proper bidding procedures were followed. We noted for two (2) items all bids were accepted based on availability and destination. One (I) item was not bid through six month bid or regular bidding process. One (I) 6 month bid item purchased was not the lowest bid and no explanation was given. One (I) high dollar item was not purchased from the lowest bidder and no explanation was given. One (I) lease purchase item was not awarded to the lowest bidder and no explanation was given.

**Status:** Fully Corrected

#### **Finding 2014-007, 2015-007, 2016-006, 2017-007, 2018-008, 2019-005**

##### **Inadequate Internal Control and Noncompliance Over the Disbursements Process**

**Finding Summary:** The Board of County Commissioners (BOCC) does not sign purchase orders until after the adjourning of its weekly scheduled meeting. Discussion about questionable purchase orders sometimes occur during this time. This practice has the appearance of official business being conducted after the close of the meeting. Two of the County Clerk's deputies have access to print warrants with the electronic signatures of the County Clerk and BOC Chairman. Procedures have not been designed for the County Clerk and County Treasurer to reconcile warrant issued to warrant paid. During our test of eighty-nine (89) disbursements we noted the four (4) disbursements were not reviewed/authorized, fifteen (15) disbursements were not signed by the BOC, two (2) disbursements were not made for the appropriate amount, four (4) disbursements did not have proper documentation attached, twenty-one

(21) disbursements were not encumbered before receiving goods or services, and three 3 disbursements were not paid out of the proper fund

**Status:** Fully Corrected

**Finding 2014-008, 2015-008**

**Inadequate Segregation of Duties Over the Payroll Process**

**Finding Summary:** A lack of segregation of duties exists in the County Clerk's office because one deputy enrolls new employees, reviews the payroll claims calculates amounts to be paid to the employees and payroll related agencies, updates the master payroll file issues and prints payroll warrants, and removes terminated employees from payroll.

**Status:** Fully Corrected

**Finding 2014-013**

**Noncompliance Over Delinquent Personal Property Tax Publications**

**Finding Summary:** The County Treasurer did not publish the delinquent personal property in a newspaper of general circulation within Payne County.

**Status:** Fully Corrected

**Finding 2014-016, 2015-016, 2018-005**

**Inadequate Internal Controls and Noncompliance Over Operational Transfers**

**Finding Summary:** During the fiscal year, the County made many transfers between the budgeted and restricted cash funds presented on the County Treasurer's general ledger, as well as transfers between County funds and trust and agency funds. Budgeted funds and funds deposited into revolving cash funds are restricted by state statute and comingling of these funds are not allowed. Trust and agency funds do not appear on the County's financial statements and are not classified as audited county funds.

Further, the County General Fund revenues and County Health Department fund revenues are budgeted funds and the use of these funds are restricted by state statute. These funds are budgeted to meet the expenditure requirements for the current fiscal year. If the funds are not used, they are lapsed and used for the expenditure requirements of the next fiscal year.

Several of the transfers that occurred were back-dated from the day they were actually entered into the financial system.

**Status:** Fully Corrected

**Finding 2014-019, 2015-009, 2016-005, 2017-005, 2018-007, 2019-003**

**Inadequate Internal Controls and Noncompliance Over the Financial Statement Presentation**

**Finding Summary:** The County has not designed and implemented internal controls to ensure the accurate presentation of the County's financial statement. During the review and reconciliation of the financial statement as initially prepared by the County we determined that the disbursements were understated by \$1,756,791.21. The understatement was due to the County Treasurer's office electronically wiring the monthly bond payment for the Payne County Facilities Authority (PCFA) without following purchasing procedures and rules promulgated by OSAL

**Status:** Fully Corrected

**Finding 2014-021, 2015-021**

**Inadequate Internal Controls Over the Financial Operations in the County Treasurer and County Clerk's Offices**

**Finding Summary:** It was noted that the offices of the County Treasurer and County Clerk were making error corrections after the fiscal year end recommended by the County's Certified Public Accountant (CPA). Late in the audit, we noticed that we had received multiple general ledgers with varying balances within funds. We inquired as to why this was needed after the fiscal year end, and the County's CPA stated that up to three to four months after a

fiscal year, he reviews the miscellaneous receipts for each account and if something needs to be changed, he has the head bookkeeper in the County Treasurer's office change it on the general ledger. The County's CPA would then go to the County Clerk's office and have her complete the transfer on her appropriation ledgers after showing her a reconciliation of the changed Treasurer's accounts.

We noted a County Treasurer deputy has the ability to make adjustments to fund balances as error corrections without using journal entries. The County Treasurer does not have the ability to review any changes made on the general ledger when error corrections are made without using journal entries. A County Treasurer deputy can use the County Treasurer's signature stamp to register warrants. The signature stamp is kept in the safe and three deputies have the combination to the safe. The Solid Waste Fund had a negative balance of \$4,108 as of June 30, 2014.  
**Status:** Fully Corrected

## FEDERAL AUDIT FINDINGS

### **Finding 2014-009**

#### **Inadequate Internal Controls and Noncompliance Over the Schedule of Expenditures of Federal Awards**

**Pass-Through Grantor:** Oklahoma Department of Commerce; None

**Federal Agency:** U.S. Department of Housing and Urban Development; U.S. Department of Agriculture

**Assistance Listing No:** 14.228; I 0.666

**Federal Program Name:** Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii ; Schools and Roads - Grants to Counties

**Federal Grant Award Number:** B-07-DC-40-000 I; N/A

**Federal Award Year:** 2014

**Control Category:** Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Davis-Bacon Act; Matching, Level of Effort, Earmarking; Period of Availability; Procurement and Suspension and Debarment; Reporting; and Special Tests and Provisions

**Questioned Costs:** \$-0-

**Finding Summary:** The offices and/or departments within the County that expended federal funds, have not designed and implemented formal procedures for the reporting of its federal programs as required by OMB Circular A-133. The net effect of errors resulted in the SEF A being understated by \$220,766. **Status:** Fully Corrected

### **Finding 2014-010**

#### **Inadequate County-Wide Controls Over Major Programs - Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii and Schools and Roads - Grants to Counties**

**Pass-Through Grantor:** Oklahoma Department of Commerce; None

**Federal Agency:** U.S. Department of Housing and Urban Development; U.S. Department of Agriculture

**Assistance Listing No:** 14.228; I 0.666

**Federal Program Name:** Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii ; Schools and Roads - Grants to Counties

**Federal Grant Award Number:** B-07-DC-40-000 I; N/A

**Federal Award Year:** 2014

**Control Category:** Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Davis-Bacon Act; Matching, Level of Effort, Earmarking; Period of Availability; Procurement and Suspension and Debarment; Reporting; and Special Tests and Provisions

**Questioned Costs:** \$-0-

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

**Status:** Fully Corrected

### **Finding 2014-011**

#### **Inadequate Internal Control and Noncompliance Over Major Programs –**

**Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii and Schools and Roads - Grants to Counties**

**Pass-Through Grantor:** Oklahoma Department of Commerce; None

**Federal Agency :** U.S. Department of Housing and Urban Development; U.S. Department of Agriculture

**Assistance Listing No:** 14.228; I 0.666

**Federal Program Name:** Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii- Schools and Roads - Grants to Counties

**Federal Grant Award Number:** B-07-DC-40-000 I; N/A

**Federal Award Year:** 20 14

**Control Category:** CDBG: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Davis Bacon Act; Matching, Level of Effort, Earmarking; Period of Availability; Procurement and Suspension and Debarment; Reporting; and Special Tests and Provisions Schools and Roads: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort, Earmarking

**Questioned Costs:** \$236 050

**Finding Summary:** During the process of documenting the County's internal controls regarding federal disbursements, we noted the County has not established internal controls to ensure compliance with CDBG: Procurement and Suspension and Debarment and Schools and Roads: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management, Matching, Level of Effort, Earmarking. It was also noted that according to 62 O.S. § 491, one-third (1/3rd) of the funds the County receives for CFDA # I 0.666 shall be deposited in the County Highway Fund and the remaining two-thirds (2/3rds) shall be apportioned to the affected school districts of the county. Instead, 75% was allocated to the Highway Cash Fund and 25% was allocated to schools. Further, during the review of 100% of the CFDA # I 0.666 Schools and Roads - Grants to Counties expenditures, we noted during fiscal year 20 14, \$349,311 was expended from the designated grant subaccount within the Highway Cash Fund, which was \$184,434 more than the County should have received according to state statute. Of the \$ 123 ,879 fiscal year 20 14 receipts \$51 616 was misallocated to the Highway Cash Fund. However, these funds were not apportioned to the grant subaccount and were instead commingled with other highway funds, so expenditures could not be traced.

Finally a review of 100% of the CFDA # 14.228 Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii expenditures revealed that all \$250,000 was expended out of the County General Fund instead of the CDBG Grant Fund setup for this grant.

**Status:** Fully Corrected

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



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

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