



# PAYNE COUNTY

## Financial Report

For the fiscal year ended June 30, 2022

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

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

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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.



August 12, 2024

TO THE CITIZENS OF  
PAYNE COUNTY, OKLAHOMA

Transmitted herewith is the audit of Payne County, Oklahoma for the fiscal year ended June 30, 2022. The audit was conducted in accordance with 19 O.S. § 171.

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

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

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

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

Sincerely,

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, 2022**

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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, OKLAHOMA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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**FINANCIAL SECTION**



## **Independent Auditor's Report**

TO THE OFFICERS OF  
PAYNE COUNTY, OKLAHOMA

### **Report on the Audit of the Financial Statement**

#### ***Opinion***

We have audited the total—all county funds on the accompanying regulatory basis Statement of Receipts, Disbursements, and Changes in Cash Balances of Payne County, Oklahoma, as of and for the year ended June 30, 2022, and the related notes to the financial statement.

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

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

#### ***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles (U.S. GAAP) section of our report, the financial statement referred to above does not present fairly, in accordance with U.S. GAAP, the financial position of Payne County as of June 30, 2022, or changes in financial position for the year then ended.

#### ***Basis for Opinions***

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

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

As described in Note 1, the financial statement is prepared by Payne County using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than U.S. GAAP to meet the requirements of the State of Oklahoma. The effects on the financial statement of the variances

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

### ***Responsibilities of Management for the Financial Statement***

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statement***

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Payne County's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Payne County's ability to continue as a going concern for a reasonable period of time.

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



***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the total of all county funds on the financial statement. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statement.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 8, 2024, 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.



CINDY BYRD, CPA  
OKLAHOMA STATE AUDITOR & INSPECTOR

July 8, 2024

**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, 2022**

	Beginning Cash Balances July 1, 2021	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2022
County Funds:						
County General	\$ 10,831,584	\$ 11,618,448	\$ -	\$ -	\$ 11,408,654	\$ 11,041,378
County Highway Unrestricted	2,191,201	4,287,007	-	-	4,106,905	2,371,303
Resale Property	1,667,944	651,126	-	-	365,627	1,953,443
Health	4,997,505	1,971,405	-	-	1,150,406	5,818,504
Sheriff Service Fee	1,311,680	1,700,717	-	-	1,714,087	1,298,310
Self Insurance Program	4,920,223	1,453,766	-	-	500,526	5,873,463
Jail - ST	731,261	1,696,926	-	-	1,012,024	1,416,163
Jail Debt Payments	700	-	-	-	698	2
County Bridge and Road Improvement	970,199	421,115	-	-	117,661	1,273,653
Court Clerk Payroll	47,805	342,155	-	-	342,169	47,791
Flood Plain	1,661	-	-	-	-	1,661
Treasurer Mortgage Certification	349,261	15,847	577	-	15,284	350,401
County Clerk Lien Fee	505,170	43,504	-	-	32,693	515,981
Sheriff Training	4,741	243	-	-	615	4,369
Free Fair Board	495,186	200,983	-	-	207,495	488,674
Assessor Revolving Fee	5,341	6,575	-	-	2,249	9,667
Sheriff Commissary	167,749	307,256	-	-	194,727	280,278
Solid Waste Management	122,364	16,792	-	-	49,749	89,407
Capital Projects	353	-	-	-	-	353
County Clerk Records Management and Preservation	415,893	140,806	-	-	72,853	483,846
Emergency Management	39,820	15,390	-	-	3,826	51,384
Local Emergency Planning Committee	2,816	1,000	-	-	-	3,816
Community Service Program	201	-	-	-	-	201
Rural Fire - ST	2,166,668	830,283	-	-	580,512	2,416,439
Extension - ST	757,915	348,676	-	-	410,706	695,885
Fair - ST	2,523,881	1,006,856	-	-	593,523	2,937,214
General Gov't - ST	2,624,237	747,476	-	-	141,246	3,230,467
Roads and Bridges - ST	2,810,907	2,739,643	-	-	1,755,349	3,795,201
Fire 3/8 - ST	754,832	249,105	-	-	233,304	770,633
Highway - ST	566,165	3,319,378	-	-	-	3,885,543
County Donations	100,000	-	-	-	100,000	-
COVID Aid and Relief	577	-	-	577	-	-
American Rescue Plan Act 2021	-	7,944,325	-	-	115,532	7,828,793
<b>Total - All County Funds, as Restated</b>	<b>\$ 42,085,840</b>	<b>\$ 42,076,803</b>	<b>\$ 577</b>	<b>\$ 577</b>	<b>\$ 25,228,420</b>	<b>\$ 58,934,223</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, 2022**

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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 service districts, school districts, and cities and towns. The cash receipts and disbursements attributable to those other entities do not appear in funds on the County's financial statement; those funds play no part in the County's operations. Any trust or agency funds maintained by the County are not included in this presentation.

**B. Fund Accounting**

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

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

County General – accounts for 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, 2022**

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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 as restricted by the sales tax ballot.

Jail Debt Payments – accounts for the collection of one-fourth (1/4%) sales tax that was collected until March of 2021 to be disbursed to the Payne County Facilities Authority for the construction and maintenance of the jail.

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 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 and disbursements as restricted by state statute.

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

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

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

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Capital Projects – accounts for monies 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 as restricted by the sales tax ballot.

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 and 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 for the operation of fire departments as restricted by the sales tax ballot.

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

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

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.

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

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

**C. Basis of Accounting**

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

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

**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.

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

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State statutes require financial institutions with which the County maintains funds to deposit collateral securities to secure the County's deposits. The amount of collateral securities to be pledged is established by the County Treasurer; this amount must be at least the amount of the deposit to be secured, less the amount insured (by, for example, the FDIC).

The County Treasurer has been authorized by the County's governing board to make investments. Allowable investments are outlined in statutes 62 O.S. § 348.1 and § 348.3.

All investments must be backed by the full faith and credit of the United States Government, the Oklahoma State Government, fully collateralized, or fully insured. All investments as classified by state statute are nonnegotiable certificates of deposit. Nonnegotiable certificates of deposit are not subject to interest rate risk or credit risk.

**2. Ad Valorem Tax**

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

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



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

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to Plan members and beneficiaries. Title 74, Sections 901 through 943, as amended, establishes the provisions of the Plan. OPERS issues a publicly available financial report that includes financial statements and supplementary information. That report may be obtained by writing OPERS, P.O. Box 53007, Oklahoma City, Oklahoma 73105 or by calling 1-800-733-9008.

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

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

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

**C. Contingent Liabilities**

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

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

**D. Sales Tax**

**Sales Tax of April 1, 2006**

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.

**Sales Tax of April 1, 2018**

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.

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

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**Sales Tax of January 1, 2019**

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.

**Sales Tax of April 1, 2021**

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 transfer between cash funds:

- \$577 was transferred from the COVID Aid and Relief fund to the Treasurer Mortgage Certification fund for the reimbursement of CARES Act expenditures.

**F. Special Items**

**Investigative Audit**

The State Auditor and Inspector's Office has conducted a special investigative audit concerning the Sheriff Office's purchases for the period of January 6, 2009 through November 29, 2022. This audit and findings have been issued in a separate report.

The State Auditor and Inspector's Office is also conducting a special investigative audit concerning the Environmental Enforcement's payroll records for the period of January of 2022 through July of 2023. 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, 2022.

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

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**G. Restatement of Fund Balance**

During the fiscal year, the County had a reclassification of funds. 911 Phone Fees was reclassified as a trust and agency fund.

Prior year ending balance, as reported	\$43,401,482
Funds reclassified as Trust and Agency Funds:	
911 Phone Fees reclassified from a	
County Fund to a Trust and Agency Fund	<u>(1,315,642)</u>
Prior year ending balance, as restated	<u>\$42,085,840</u>

**SUPPLEMENTARY INFORMATION**

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

	General Fund		
	Budget	Actual	Variance
District Attorney	\$ 128,575	\$ 123,308	\$ 5,267
County Treasurer	191,003	178,778	12,225
County Commissioners	323,886	292,747	31,139
County Clerk	537,310	491,785	45,525
Early Settlement	102,140	91,201	10,939
Court Clerk	489,895	481,489	8,406
County Assessor	604,785	581,222	23,563
Revaluation of Real Property	969,476	931,742	37,734
General Government	7,611,200	498,681	7,112,519
Excise-Equalization Board	6,000	1,976	4,024
County Election Board	190,719	186,178	4,541
Insurance - Benefits	4,144,752	2,620,967	1,523,785
Building Engineer	116,518	110,609	5,909
County Audit Budget Account	249,071	249,071	-
CLEAN	15,250	10,863	4,387
County Sheriff	2,959,643	2,626,621	333,022
Emergency Management	151,575	151,521	54
Jail Operations	1,600,000	1,576,639	23,361
Solid Waste	190,530	151,990	38,540
Reward Fund	3,000	-	3,000
Emergency Operations	131,742	125,354	6,388
Prior Year Lapsed Appropriations	-	(425,057)	425,057
Total Expenditures, Budgetary Basis	<u>\$ 20,717,070</u>	<u>\$ 11,057,685</u>	<u>\$ 9,659,385</u>

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

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	Health Fund		
	Budget	Actual	Variance
Health and Welfare	\$ 6,177,415	\$ 1,224,934	\$ 4,952,481
Prior Year Lapsed Appropriation	-	(377,418)	377,418
Total Expenditures, Budgetary Basis	\$ 6,177,415	\$ 847,516	\$ 5,329,899

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

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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 presents comparisons of the legally adopted budget with actual data. The "actual" data, as presented in the comparison of budget and actual, will differ from the data as presented in the Statement of Receipts, Disbursements, and Changes in Cash Balances because of adopting certain aspects of the budgetary basis of accounting and the adjusting of encumbrances and outstanding warrants to their related budget year.

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

**INTERNAL CONTROL AND COMPLIANCE SECTION**





**Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements Performed in Accordance With  
*Government Auditing Standards***

TO THE OFFICERS OF  
PAYNE COUNTY, OKLAHOMA

We have audited, in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the total—all county funds of the accompanying Statement of Receipts, Disbursements, and Changes in Cash Balances of Payne County, Oklahoma, as of and for the year ended June 30, 2022, and the related notes to the financial statement, which collectively comprise Payne County’s financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated July 8, 2024.

Our report included an adverse opinion on the financial statement because the statement is prepared using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America (U.S. GAAP). However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County as of and for the year ended June 30, 2022, on the basis of accounting prescribed by Oklahoma state law, described in Note 1.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statement, we considered 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 responses that we consider to be material weaknesses: 2022-001, 2022-002, and 2022-003.

### **Report on 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2022-003.

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

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

*Government Auditing Standards* requires the auditor to perform limited procedures on Payne County's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. Payne County's response was not subjected to the other auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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



CINDY BYRD, CPA  
OKLAHOMA STATE AUDITOR & INSPECTOR

July 8, 2024

**PAYNE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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

**Finding 2022-001 – 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, 2021-001)**

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

In addition, it was noted that when the handbook was updated in May 2021, communication to employees through handbook acknowledgments were not updated and completed.

**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:** Beginning in 2022, county-wide internal controls have predominately been placed on the Budget Board agenda for general discussion and acknowledgement of previous findings, to assist in keeping officials abreast of possible issues and thoughts of how to address them. Additionally, at our most recent Budget Board (February 12, 2024) meeting it was discussed that the latest most up to date handbook needs to be sent out to all employees and updated acknowledgements be submitted, also addressing that this needs to be submitted for new hires as well.

**County Treasurer:** I plan to work with the Elected County Officials to address the identified risks related to financial reporting and monitoring procedures. I plan to ensure effective communication between the Treasurer’s office and the offices of the other Elected Officials.

**Criteria:** The United States Government Accountability Office’s *Standards for Internal Control in the Federal Government* (2014 version) aided in guiding our assessments and conclusion. Although this publication (GAO Standards) addresses controls in the federal government, this criterion can be treated as

**PAYNE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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best practices and may be applied as a framework for an internal control system for state, local, and quasi-governmental entities.

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

*Definition of Internal Control*

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

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

*Components, Principles, and Attributes*

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

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

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

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

**Finding 2022-002 – Reconciliation of Appropriation Ledger to the General Ledger (Repeat Finding – 2020-002, 2021-002)**

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

**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.

**PAYNE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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**Management Response:**

**Chairman of the Board of County Commissioners:** In discussions between Chairman, Treasurer and County Clerk, it was identified that the Treasurer's office and County Clerk's office will work on balancing on a monthly basis.

**County Clerk:** My office balances all accounts on a daily, weekly, and monthly basis through warrants registered to daily packets, and with the County CPA at fiscal year-end.

My office has not balanced the General Fund with the Treasurer, as we only hold the appropriated accounts information to do so.

My office has worked for years to try to elevate this finding through forms, communication, and reconciliation of the accounts. During this reporting period, I requested that the Treasurer's office use an alternate form of reconciliation that has been approved by the State Auditor's office for a county our size. I requested the State Auditor's office come to a Budget Board meeting and address the use of this form, and that my office is trying to balance the ledgers with the Treasurer's office with the use of this form, and that an employee of the Treasurer's office refused to use the alternate form. This is why during this period it seems that our offices were not balancing, but in fact it was the employee of the Treasurer's office who refused to balance with my office on the form presented and approved, and of no fault of mine.

The Treasurer's office and the County Clerk's office are now working on this form to reconcile. My office completes the form monthly, sends it to the Treasurer's office. We have had difficulty getting a reply regarding account differences or balances from the Treasurer's office in regard to balancing differences or needed adjustments. My office cannot pursue moving forward with reconciliation until the Treasurer's office acknowledges that they have looked at the differences and are ready to try to reconcile where those could be in the accounting. I cannot address the Treasurer statement that there are items that are more than a fiscal year old, because the accounts are reconciled and adjusted yearly with the County CPA. The two offices are working and communicating together and will continue to do so moving forward.

**County Treasurer:** The Treasurer's first deputy and the County Clerk's deputy are planning monthly meetings with each at their own computers and work together to balance both offices.

**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.

**PAYNE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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**Finding 2022-003 – Lack of Internal Controls and Noncompliance Over Disbursements**

**Condition:** Upon inquiry of county personnel, observation of the disbursement process, and a test of fifty-one (51) disbursements, the following weaknesses were noted:

- Two (2) disbursements totaling \$43,527 were not charged to the proper fund and account.
- Five (5) disbursements totaling \$10,568 were not supported by adequate documentation.
- One (1) disbursement in the amount of \$10,827 was not properly reviewed or authorized.
- Three (3) disbursements totaling \$8,908 were not encumbered prior to receiving goods or services.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure compliance with state statute and to ensure internal controls over the disbursement process is properly designed and implemented.

**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 the County implement a system of internal controls over the disbursement process. Such controls should include ensuring disbursements are supported by adequate documentation, funds are encumbered prior to the receipt of goods and/or services, funds are charged to the proper fund and account, disbursements are properly reviewed and authorized, disbursements are reviewed by the BOCC and all purchase orders and supporting documentation be retained.

**Management Response:**

**Chairman of the Board of County Commissioners:** Payne County Clerk notes all purchase orders with a “did not follow proper purchasing procedures” stamp in these situations. Chairman will make this an item of discussion during a future Budget Board meeting. We will work on changing to the correct account numbers.

**County Commissioner District 1:** When payroll is due, we have all available employees sign their timesheets. If there is no signature, employee(s) may have been utilizing personal time off or not available to sign for some other reason. I am unaware of how a purchase order was encumbered without a requisition. I have never seen this and do not expect this to occur again.

**County Sheriff:** Missing timesheets were for an employee on Military Leave, timesheet could not be obtained.

**Criteria:** The GAO Standards – Section 2 – Objectives of an Entity – 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.

**PAYNE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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Additionally, GAO Standards – Principle 6 – Define Objectives and Risk Tolerances – 6.05 states:

*Definitions of Objectives*

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

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

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

**Finding 2022-004 – Lack of Internal Controls and Noncompliance Over County Paid Invoices**

**Condition:** Upon review of fifteen (15) judgmentally selected purchase orders for the Sheriff’s office, one (1) invoice was noted to include altered invoice dates. Further, a test of all invoices from this vendor was performed and three (3) out of nine (9) invoices that were submitted for payment to the County Clerk’s office included altered invoice dates totaling \$984.

**Cause of Condition:** Policies and procedures have not been designed and implemented to address the risks associated with personnel altering original invoices.

**Effect of Condition:** This condition resulted in noncompliance with state statute and could result in the County paying fraudulent invoices.

**Recommendation:** OSAI recommends that management implement policies and procedures to develop oversight over county expenditures and invoices submitted to the County Clerk’s office for payment.

**Management Response:**

**Chairman of the Board of County Commissioners:** All original invoices are now sent directly to County Clerk’s office, not allowing invoices to be altered by a receiving agent.

**County Sheriff:** This has been reconciled with County Clerk’s office procedurally and charges are pending further investigation.

**PAYNE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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**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 – Principle 6 – Define Objectives and Risk Tolerances – 6.05 states:

*Definitions of Objectives*

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

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

Additionally, Title 21 O.S. § 463 states, “Any person who knowingly procures or offers any false or forged instrument to be filed, registered, or recorded in any public office within this state, which instrument, if genuine, might be filed or registered or recorded under any law of this state or of the United States, shall be guilty of felony.”

**Finding 2022-005 – 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 applied for and used credit cards from multiple vendors. The following was noted:

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



**PAYNE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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Further, five (5) purchase orders for the Sheriff's statutorily allowed credit cards were reviewed. The following was noted:

- One (1) purchase order in the amount of \$1,483 was not charged to the proper fund and account, was not encumbered prior to receiving goods or services, and was not charged to the proper period.
- Two (2) purchase orders contained fees totaling of \$57.
- Sales tax was paid on an in-state purchase in the amount of \$3.
- Government Services Administration (GSA) rates for lodging were exceeded in the amount of \$13.

**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 the 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 credit cards and the P-Card, as well as design and implement policies and procedures to ensure that the Sheriff's department request approval from the BOCC 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 that the Sheriff's credit cards not exceed the number of credit cards and credit limit allowed in accordance with 19 O.S. § 1507, all expenses are supported by documentation, all amounts do not exceed the GSA state rate, encumbrance is made prior to receiving goods or services, in-state taxes should not be paid, and invoices be timely paid to avoid interest and late fees.

**Management Response:**

**Chairman of the Board of County Commissioners:** Vendor A: Is no longer in business in Payne County and should not be an issue in the future. Vendor B: Payne County will attempt to work with vendor to utilize purchase order system rather than credit card. Additionally, in an upcoming Budget Board meeting, the issue of updating authorized purchasers for all departments and vendors will be mentioned.

**County Commissioner District 1:** Vendor C: I will attempt to work with vendor to utilize the purchase order system rather than credit card.

**County Sheriff:** We are unable to obtain these items at a reasonable rate through other vendors. The Budget Board will discuss potential changes to the travel policy.

**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

**PAYNE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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

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.

Title 19 O.S. § 1507 prescribes the number of Sheriff credit cards allowed and the credit limit allowed.

**Finding 2022-006 – Lack of Internal Controls and Noncompliance Over Purchasing**

**Condition:** Upon review of vendors with multiple payments within a short period of time between invoice dates (30 days or less) under the competitive bidding threshold of \$25,000, three (3) purchase orders for one vendor totaling \$36,359 were discovered. These purchase orders were for payments to remodel, update, and repair the Ripley Fire Department.

Phone quotes or written bids were not obtained for the Ripley Fire Department. In conjunction with the Payne County District Attorney's office, it was determined that the work that was paid for by the County was not completed by the vendor. There is a court case in which an employee associated with this vendor has been forced to pay a judgment of \$503,000 for projects not completed.

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

**Effect of Condition:** This condition resulted in noncompliance with state statute and resulted in the County paying for work that was not completed.

**Recommendation:** OSAI recommends that management implement policies and procedures to develop oversight over county expenditures.

**Management Response:**

**Chairman of the Board of County Commissioners:** This issue has been mentioned during our February 12, 2023. Budget Board meeting and the Budget Board will look into either requiring requisitioning officer

**PAYNE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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with fire department to attend a county purchasing class or requiring fire departments to submit requests for purchase orders to be authorized by the BOCC prior to being encumbered.

**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 – Principle 6 – Define Objectives and Risk Tolerances – 6.05 states:

*Definitions of Objectives*

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

Additionally, Title 21 O.S. § 463 states, Any person who knowingly procures or offers any false or forged instrument to be filed, registered, or recorded in any public office within this state, which instrument, if genuine, might be filed or registered or recorded under any law of this state or of the United States, shall be guilty of felony.”

Title 61 O.S. § 103 prescribes the procedures for purchasing under the Public Competitive Bidding Act.

**Finding 2022-007 – Lack of Internal Controls and Noncompliance of Open Meetings Act**

**Condition:** Upon inquiry with County Officials, and observation of the County’s BOCC minutes, it was noted that the County disallowed a purchase order after the BOCC meeting was adjourned.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure that County business is not conducted outside of an open meeting.

**Effect of Condition:** This condition resulted in Payne County being in violation of the Open Meetings Act.

**Recommendation:** OSAI recommends the County design and implement policies and procedures to ensure compliance with 25 O.S. § 304 and 312 of the Open Meeting Act.

**PAYNE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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**Management Response:**

**Chairman of the Board of County Commissioners:** Current practice is to keep meeting in session until all documents are signed then adjourn.

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

*Definition of Internal Control*

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

Title 25 O.S. § 304 (2) states, “Meeting” means the conduct of business of a public body by a majority of its members being personally together or, as authorized by Section 307.1 of this title, together pursuant to a videoconference. Meeting shall not include informal gatherings of a majority of the members of the public body when no business of the public body is discussed.”

Title 25 O.S. § 312 (A) states, “The proceedings of a public body shall be kept by a person so designated by such public body in the form of written minutes which shall be an official summary of the proceedings showing clearly those members present and absent, all matters considered by the public body, and all actions taken by such public body. The minutes of each meeting shall be open to public inspection and shall reflect the manner and time of notice required by this act.”

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



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

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