



# PAYNE COUNTY

## Financial Audit

For the fiscal year ended June 30, 2019

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

**PAYNE COUNTY, OKLAHOMA  
FINANCIAL STATEMENT  
AND INDEPENDENT AUDITOR'S REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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Cindy Byrd, CPA | State Auditor & Inspector

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July 2, 2020

TO THE CITIZENS OF  
PAYNE COUNTY, OKLAHOMA

Transmitted herewith is the audit of Payne County, Oklahoma for the fiscal year ended June 30, 2019. The audit was conducted in accordance with 19 O.S. § 171.

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

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

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

Sincerely,

A handwritten signature in blue ink that reads "Cindy Byrd". The signature is fluid and cursive, with the first and last names clearly legible.

CINDY BYRD, CPA  
OKLAHOMA STATE AUDITOR & INSPECTOR



**PAYNE COUNTY OFFICIALS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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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**

R.B. Hauf

**County Treasurer**

Carla Manning

**Court Clerk**

Lori Allen

**District Attorney**

Laura Thomas

**PAYNE COUNTY, OKLAHOMA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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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 combined 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, 2019, 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, 2019 or changes in financial position for the year then ended.

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

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash balances for all county funds of Payne County, for the year ended June 30, 2019, in accordance with the basis of accounting described in Note 1.

### ***Other Matters***

#### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the combined total of all county funds on the financial statement. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statement.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2020, 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

June 24, 2020

## **REGULATORY BASIS FINANCIAL STATEMENT**

**PAYNE COUNTY, OKLAHOMA**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND**  
**CHANGES IN CASH BALANCES—REGULATORY BASIS**  
**(WITH COMBINING INFORMATION)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	Beginning Cash Balances July 1, 2018	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2019
Combining Information:						
County General Fund	\$ 7,718,258	\$ 10,838,762	\$ 148,666	\$ -	\$ 10,229,996	\$ 8,475,690
Highway Cash Fund	1,841,940	4,045,232	-	-	4,360,530	1,526,642
Board of Prisoners Fund	29,860	-	-	27,529	2,331	-
Resale Property Fund	1,125,353	550,804	-	7,367	387,984	1,280,806
County Health Department	1,947,161	1,828,345	-	-	1,076,095	2,699,411
Sheriff Service Fee	517,669	963,628	208,326	-	1,147,397	542,226
Self Insurance Fund	2,893,638	1,055,851	-	63,262	500,892	3,385,335
Jail Operations and Maintenance	540,328	1,494,906	-	-	1,373,102	662,132
Limited Purpose Sales Tax 2006	264,409	3,757,221	-	-	3,529,702	491,928
E-911 Fund	951,879	707,362	-	-	768,544	890,697
105 Monies	961,021	607,311	144	-	474,939	1,093,537
Court Fund Salaries and Fringe	56,125	387,505	-	-	387,308	56,322
Flood Plain	2,585	-	-	-	759	1,826
Treasurer Mortgage Certification Fee Fund	315,770	15,852	-	-	5,627	325,995
County Clerk Lien Fee Fund	553,164	23,168	-	-	87,786	488,546
Sheriff Training Fund	9,429	1,874	-	-	7,360	3,943
Fairboard Cash Fund	364,809	164,033	-	-	250,951	277,891
Assessor Fee Revolving Fund	8,999	5,980	-	-	1,707	13,272
Sheriff Commissary Fund	66,752	143,761	-	-	128,836	81,677
Solid Waste Fund	51,770	13,235	-	-	15,960	49,045
Capital Projects	353	-	-	-	-	353
Bridge Improvement	144	-	-	144	-	-
County Clerk Records Preservation	295,970	63,098	-	-	39,625	319,443
Sheriff Courthouse Security	180,797	-	-	180,797	-	-
Emergency Management Fund	17,850	42,975	-	-	50,542	10,283
Local Emergency Planning Committee	2,816	-	-	-	-	2,816
C.L.E.A.N. Program	174	-	-	-	-	174
Fire Department 1/16 Sales Tax	1,972,407	772,535	-	-	533,492	2,211,450
Sales Tax 3/8	8,256,680	-	-	8,256,680	-	-
Extension 3/8 Sales Tax	-	322,381	704,515	-	276,925	749,971
Fair Maintenance 3/8 Sales Tax	-	916,507	3,483,428	715	2,050,340	2,348,880
General Government 3/8 Sales Tax	-	688,262	1,178,844	-	189,193	1,677,913
Roads and Bridges 3/8 Sales Tax	-	3,643,176	2,445,806	-	1,656,041	4,432,941
Fire 3/8 Sales Tax	-	230,011	444,087	84,689	52,488	536,921
Reward Fund	-	49	-	-	-	49
County Donations	-	30,000	-	-	-	30,000
<b>Combined Total, All County Funds, As Restated</b>	<b>\$ 30,948,110</b>	<b>\$ 33,313,824</b>	<b>\$ 8,613,816</b>	<b>\$ 8,621,183</b>	<b>\$ 29,586,452</b>	<b>\$ 34,668,115</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, 2019**

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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 as combining information within the financial statement:

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

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

Board of Prisoners Fund – accounts for the collection of fees charged for boarding prisoners in the jail for other governments. Disbursements are for the operations of the jail.

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

County Health Department – accounts for monies collected on behalf of the county health department from ad valorem taxes and state and local revenues.

**PAYNE COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

Self Insurance Fund – accounts for the collection of use tax and royalty fees, and disbursements are for the general use of the County.

Jail Operations and Maintenance – accounts for collection of one-eighth (1/8) cent sales tax allocated to county jail maintenance.

Limited Purpose Sales Tax 2006 – accounts for collection of one-fourth (1/4) cent sales tax apportioned through the county to the Payne County Facilities Authority for the construction and maintenance of the jail.

E-911 Fund – accounts for monies received from private telephone companies for the operations of emergency 911 services.

105 Monies – accounts for collections from state receipts. Disbursements are for the purpose of maintaining bridges and roads.

Court Fund Salaries and Fringe – 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 Fee Fund – 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 Fund – accounts for lien fee collections and disbursements as restricted by state statute.

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

Fairboard Cash Fund – 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 Fee Revolving Fund – accounts for fees charged by the County Assessor and disbursements as restrict by state statute.

Sheriff Commissary Fund – 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, 2019**

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Solid Waste Fund – 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.

Bridge Improvement – accounts for monies from the Oklahoma Department of Transportation for the purpose of bridge improvements throughout the County.

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

Sheriff Courthouse Security – accounts for collection of fees assessed for criminal and traffic cases filed in the Court Clerk's Office for the purpose of enhancing existing, or providing additional, courthouse security.

Emergency Management Fund – 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.

C.L.E.A.N. Program – accounts for monies received through the courts for Directed Community Service.

Fire Department 1/16 Sales Tax – accounts for collection of one-sixteenth (1/16) cent sales tax apportioned to all fire departments in the county.

Sales Tax 3/8 – accounts for monies collected from the three-eighths percent (3/8% cent) sales tax. Disbursements are for road and bridge improvements, county General Fund purposes, capital outlay and operations of the Payne County Exposition Center and Fair Board, operations of the Payne County Extension Center, and for capital outlay and operations of fire departments located within Payne County, Oklahoma.

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

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

General Government 3/8 Sales Tax – accounts for portion of three-eighths (3/8%) sales tax for the operation of county government as restricted by the sales tax ballot.

**PAYNE COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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Roads and Bridges 3/8 Sales Tax – accounts for 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 Sales Tax – accounts for portion of 3/8 cent sales tax apportioned by ballot for the operation of fire departments.

Reward Fund – accounts for money that is set aside for approved rewards by the County Commissioners.

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

**C. Basis of Accounting**

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

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

**D. Budget**

Under current Oklahoma Statutes, a general fund and a county health department fund are the only funds required to adopt a formal budget. On or before 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.

**PAYNE COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**E. Cash and Investments**

For the purposes of financial reporting, "Ending Cash Balances, June 30" includes cash and cash equivalents and investments as allowed by statutes. The County pools the cash of its various funds in maintaining its bank accounts. However, cash applicable to a particular fund is readily identifiable on the County's books. The balance in the pooled cash accounts is available to meet current operating requirements.

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

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

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

**2. Ad Valorem Tax**

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

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



**PAYNE COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**3. Other Information**

**A. Pension Plan**

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

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

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

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

**C. Contingent Liabilities**

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

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 three-eighths of one percent (3/8%) sales tax effective January 1, 2014 and set to expire on December 31, 2018. Effective January 1, 2019 the voters of Payne County approved to extend this sales tax expiration to December 31, 2023. This sales tax was established to provide revenue for:

**PAYNE COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

Originally these funds were accounted for in the Sales Tax 3/8 fund but are now accounted for in the Roads and Bridges 3/8 Sales Tax fund, Fair Maintenance 3/8 Sales Tax fund, General Government 3/8 Sales Tax fund, Extension 3/8 Sales Tax fund, and the Fire 3/8 Sales Tax fund, respectively.

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 Fire Department 1/16 Sales Tax 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 will terminate on March 31, 2021. These funds are accounted for in the Limited Purpose Sales Tax 2006 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 Operations and Maintenance fund.

**E. Tax Abatements**

The County is subject to ad valorem tax abatements granted by the State of Oklahoma in accordance with the Oklahoma Constitution, Article 10 Section 6B for qualifying manufacturing concern—ad valorem tax exemption.

Under this program, a five-year ad valorem tax exemption exempts all real and personal property that is necessary for the manufacturing of a product and facilities engaged in research and development which meet the requirements set by the Oklahoma Constitution and statutes. Under Title 68 O.S. § 2902, in exchange for the five-year exemption, qualifying manufacturing concerns must meet certain minimum investment requirements for construction, acquisition, or expansion of a manufacturing facility. In addition, there are general minimum payroll requirements that must be met and the qualifying manufacturing concern must offer basic health benefit plans to all full-time employees within 180 days of employment.

The County had \$131,335 of ad valorem taxes abated under this program for the fiscal year ended June 30, 2019.

**PAYNE COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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The State has an Ad Valorem Reimbursement Fund in accordance with Title 62 O.S. § 193 that is used to reimburse the County for the loss of revenue. Monies apportioned to this fund by the State also may be transferred to other state funds or otherwise expended as directed by the Legislature. In the event monies apportioned to the Fund are insufficient to pay all claims for reimbursement, claims for reimbursement for loss of revenue due to manufacturing exemptions of ad valorem taxes shall be paid first, and any remaining funds shall be distributed proportionally among the counties making claims for reimbursement for loss of revenue for school district exemptions.

**F. Interfund Transfers**

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

- \$715 was transferred from the Fair Maintenance 3/8 Sales Tax fund to the County General Fund by Budget Board Resolution to balance the Treasurer and the County Clerk's records.
- \$84,689 was transferred from the Fire 3/8 Sales Tax fund to the County General Fund by Budget Board Resolution to balance the Treasurer and the County Clerk's records.
- \$63,262 was transferred from the Self Insurance Fund to the County General Fund by Budget Board Resolution to correct a prior year receipt that was apportioned to the wrong fund.
- \$27,529 was transferred from the Board of County Prisoners Fund to the Sheriff Service Fee fund by Budget Board Resolution to close the fund.
- \$180,797 was transferred from the Sheriff Courthouse Security fund to the Sheriff Service Fee fund by Budget Board Resolution to close the fund.
- \$7,367 was transferred from the Resale Property Fund into the Unapportioned Revenue fund (a trust and agency fund) by Budget Board Resolution to correct a prior year error.
- \$144 was transferred from the Bridge Improvement fund to the 105 Monies fund by Budget Board Resolution to close the fund.
- \$8,256,680 was transferred from the Sales Tax 3/8 fund to create individual sales tax funds. Per Budget Board Resolutions, \$704,515 went to the Extension 3/8 Sales Tax fund, \$3,483,428 went to the Fair Maintenance 3/8 Sales Tax fund, \$1,178,844 went to the General Government 3/8 Sales Tax fund, \$2,445,806 went to the Roads & Bridges 3/8 Sales Tax fund, and \$444,087 went to the Fire 3/8 Sales Tax fund. The Sales Tax 3/8 fund by Budget Board Resolution to close the fund.

**G. Restatement of Fund Balance**

During the fiscal year, the County had a reclassification of funds. Animal Control Strays fund was

**PAYNE COUNTY, OKLAHOMA**  
**NOTES TO THE FINANCIAL STATEMENT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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reclassified as a trust and agency fund as it is not under the direction of the County.

Prior year ending balance, as reported	\$ 30,962,971
Funds reclassified as Trust and Agency Funds:	
Animal Control Strays fund reclassified from a	
County Fund to a Trust and Agency fund	<u>(14,861)</u>
Prior year ending balance, as restated	<u>\$30,948,110</u>

## **SUPPLEMENTARY INFORMATION**

**PAYNE COUNTY, OKLAHOMA**  
**COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND**  
**CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—**  
**GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 7,718,258	\$ 7,718,258	\$ -
Less: Prior Year Outstanding Warrants	(483,110)	(483,110)	-
Less: Prior Year Encumbrances	(203,292)	(203,292)	-
Beginning Cash Balances, Budgetary Basis	<u>7,031,856</u>	<u>7,031,856</u>	<u>-</u>
 Total Receipts, Budgetary Basis	 <u>10,303,535</u>	 <u>10,838,762</u>	 <u>535,227</u>
Total Expenditures, Budgetary Basis	<u>17,335,391</u>	<u>10,311,616</u>	<u>7,023,775</u>
 Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	 <u>\$ -</u>	 7,559,002	 <u>\$ 7,559,002</u>
 Operating Transfers		148,666	
 Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		474,841	
Add: Current Year Encumbrances		<u>293,180</u>	
Ending Cash Balance		<u>\$ 8,475,689</u>	

**PAYNE COUNTY, OKLAHOMA**  
**COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND**  
**CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—**  
**COUNTY HEALTH DEPARTMENT FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 1,947,161	\$ 1,947,161	\$ -
Less: Prior Year Outstanding Warrants	(166,638)	(166,638)	-
Less: Prior Year Encumbrances	(121,176)	(121,176)	-
Beginning Cash Balances, Budgetary Basis	<u>1,659,347</u>	<u>1,659,347</u>	<u>-</u>
 Total Receipts, Budgetary Basis	 <u>1,757,963</u>	 <u>1,828,345</u>	 <u>70,382</u>
 Total Expenditures, Budgetary Basis	 <u>3,417,310</u>	 <u>1,008,527</u>	 <u>2,408,783</u>
 Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	 <u>\$ -</u>	 2,479,165	 <u>\$ 2,479,165</u>
 Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		121,568	
Add: Current Year Outstanding Warrants		<u>98,678</u>	
Ending Cash Balance		<u>\$ 2,699,411</u>	

**PAYNE COUNTY, OKLAHOMA  
NOTE TO SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**1. Budgetary Schedules**

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

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



## **INTERNAL CONTROL AND COMPLIANCE SECTION**

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

TO THE OFFICERS OF  
PAYNE COUNTY, OKLAHOMA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined total—all funds of the accompanying Statement of Receipts, Disbursements, and Changes in Cash Balances (with Combining Information) of Payne County, Oklahoma, as of and for the year ended June 30, 2019, and the related notes to the financial statement, which collectively comprises Payne County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated June 24, 2020.

Our report included an adverse opinion on the financial statement because the statement is prepared using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County for the year ended June 30, 2019, 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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of Payne County's internal control. Accordingly, we do not express an opinion on the effectiveness of Payne County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding 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. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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.



We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses: 2019-001, 2019-003, and 2019-005.

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. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies: 2019-004.

### **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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items: 2019-004 and 2019-005.

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

Payne County's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. 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 the response.

### **Purpose of this Report**

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

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



CINDY BYRD, CPA  
OKLAHOMA STATE AUDITOR & INSPECTOR

June 24, 2020

**PAYNE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

**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.

**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:** As deficiencies are identified, steps are taken to correct them.

**County Clerk:** Payne County is a Budget Board County, and as such we make all of the personnel policies. The County Clerk's office communicates office procedures to all departments that help with the finance, deadline of purchase orders, payroll, enrollment, filings, deposits, etc. We have the autonomy of our office, but still communicate on what works best through methods or email, phone conversation, in-person meetings.

**County Treasurer:** As a budget board, we already discuss some county-wide controls, but we can start to put it in a more structured format.

**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.

**PAYNE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

*Definition of Internal Control*

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

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

*Components, Principles, and Attributes*

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

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

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

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

**Finding 2019-003 – Lack of Internal Controls Over the County's Financial Statement Presentation (Repeat Finding 2014-019, 2015-019, 2016-005, 2017-005, 2018-005)**

**Condition:** 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 apportionments were overstated by \$10,110,368 and the disbursements were overstated by \$10,116,636.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure that the County's financial statement is accurately presented.

**Effect of Condition:** This condition resulted in the County's financial statement being materially misstated.

**Recommendation:** OSAI recommends the County design and implement policies and procedures to ensure the County's financial statement is accurately presented.

**Management Response:** .

**Chairman of the Board of County Commissioners:** We are in agreement that we need to know more about the process to ensure the numbers of the financial statement are correct.

**PAYNE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**County Clerk:** The Budget Board will ask the County Treasurer to present the financial statement for review.

**County Treasurer:** I will work with the auditor's office and will prepare the county's financial statement and present it to the budget board once it is complete.

**Criteria:** The County is required to present a financial statement for each fiscal year ended June 30.

Title 19 O.S. § 171 states, in part, “Unless the county elects to prepare its financial statement in accordance with Generally Accepted Accounting Principles as prescribed by the Governmental Accounting Standards Board, the county shall present their financial statements in a regulatory basis of accounting.”

The limitations of the auditor are described in the American Institute of Certified Public Accountants Clarified Statements on Auditing Standards AU-C § 210, which states, in part: “The concept of an independent audit requires that the auditor's role does not involve assuming management's responsibility for the preparation and fair presentation of the financial statements or assuming responsibility for the entity's related internal control and that the auditor has a reasonable expectation of obtaining the information necessary for the audit insofar as management is able to provide or procure it. Accordingly, the premise is fundamental to the conduct of an independent audit.”

**Finding 2019-004 – Lack of Internal Controls and Noncompliance Over Discrete Presentation of Sales Tax Activity**

**Condition:** Upon inquiry and observation of the recordkeeping process of expending county sales tax, OSAI noted sales tax appropriations and expenditures were not discretely presented within county funds. Other sources of revenues are comingled with sales tax collections as follows:

- \$8,433 in non-sales tax revenue was receipted and appropriated into the Jail Operations and Maintenance sales tax revolving fund.
- \$800,000 in non-sales tax revenue was receipted and appropriated into the Limited Purpose Sales Tax 2006 sales tax revolving fund.
- \$3 in non-sales tax revenue was receipted and appropriated into the Fair Maintenance 3/8 Sales Tax fund.
- \$130 in non-sales tax revenue was receipted and appropriated into the Fire 3/8 Sales Tax fund.

**Cause of Condition:** Policies and procedures have not been designed and implemented to properly appropriate and expend the county sales tax monies in accordance with state statute and AG Opinions.

**Effect of Condition:** This condition resulted in noncompliance with state statute and AG Opinions.

**Recommendation:** OSAI recommends that the County sales tax apportioned to the various sales tax revolving funds be accounted for in a separate account so as to distinguished it from other revenue sources

**PAYNE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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In addition, the sales tax should be expended in such a manner to provide assurance that expenditures are made in accordance with the purposes specified by the ballot as outlined by the AG Opinions and 68 O.S. § 1370E.

**Management Response:**

**Chairman of the Board of County Commissioners:** We will be more diligent to keep track of sales tax monies.

**County Treasurer:** I will work with the other elected officials to confirm the source of money to ensure only sales tax money goes into sales tax funds.

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

*Appropriate documentation of transactions and internal control*

10.03 Management clearly documents internal control and all transactions and other significant events in a manner that allows the documentation to be readily available for examination. The documentation may appear in management directives, administrative policies, or operating manuals, in either paper or electronic form. Documentation and records are properly managed and maintained.

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.

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.

Effective internal controls require management properly implement procedures to ensure sales tax expenditures are made in compliance with state statute, AG opinions, and the sales tax ballot:

Title 68 O.S. § 1370(I), states in part, “...there are hereby created one or more county sales tax revolving funds in each county which levies a sales tax under this section if any or all of the proceeds of such tax are not to be deposited in the general revenue fund of the county or comply with the provisions of subsection G of this section. Each such revolving fund shall be designated for a particular purpose and shall consist of all monies generated by

**PAYNE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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such sales tax which are designated for such purpose. Monies in such funds shall only be expended for the purposes specifically designated as required by this section. A county sales tax revolving fund shall be a continuing fund not subject to fiscal year limitations.”

Further, AG opinion 2005 OK AG 23 states:

Proceeds of a county sales tax voted for a specific purpose but placed in the county’s general fund must be accounted for as a discrete fund, and any surplus not needed for the stated purpose during one fiscal year must be transferred to the county budget for the next fiscal year, for the same specified purpose.”

**Finding 2019-005 – Lack of Internal Controls and Noncompliance Over the Disbursement Process (Repeat Finding – 2012-003, 2013-003, 2014-007, 2015-007, 2016-007, 2017-006, 2018-008)**

**Condition:** Upon inquiry and observation of the County’s disbursement process and test of sixty-eight (68) disbursements and payroll expenditures reflected the following weaknesses:

- One (1) purchase order did not have a receiving report signed by an authorized receiving agent.
- Three (3) payroll expenditures did not have time records approved and submitted by the employee.
- Two (2) purchase orders did not have state contract pricing attached.
- Three (3) purchase orders were from departments that do not have receiving or requisitioning officers designated.
- Eight (8) purchase orders incurred expenses prior to encumbrance.
- One (1) purchase order paid expenses incurred in a previous fiscal year.

Further, a test of 100% of credit card expenditures reflected the following weaknesses:

- The County has not implemented internal controls to ensure that when travel is necessary, County policies that require rates for lodging and per diem to not exceed verified GSA rates and that tips are for an allowable expense are followed.
- The credit card has a limit that exceeds statutory limitations.
- Travel expenditures are not supported by receiving reports or do not contain documentation of review by the receiving officer.
- Meal expenditures are not tracked by employee per day and compared to per diem rates to ensure daily per diem rates are not exceeded.
- County policy is not being followed for lodging expenditures paid with the County credit card.
- Eleven (11) purchase orders incurred expenses prior to encumbrance.
- Thirty-six (36) expenses totaling \$4,098 were not supported by adequate receipts.
- \$83 of in-state sales tax was charged to the credit card.
- \$2,604 in lodging expenses exceeded the GSA state rate per County policy.
- \$191 in non-meal food expenses not allowed per County policies.
- \$420 in optional non-routine travel charges.
- \$104 in charges on a hotel receipt without supporting documentation.
- \$402 in tips charged to the County credit card. \$33 in tips exceeded 20% of the cost of the meal.



**PAYNE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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- \$6 in ride share charges were incurred while traveling in county vehicles.
- \$1,086 in charges exceeded blanket purchase orders.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure compliance with state statutes and to strengthen internal controls over the disbursement process and use of the County credit card.

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

**Recommendation:** OSAI recommends the County practice proper purchasing procedures in accordance with 19 O.S. § 1501, 19 O.S. § 1503, 19 O.S. § 1505, 19 O.S. § 1506, as well as 19 O.S. § 1507. All purchases should be properly requisitioned, encumbered, approved, and received with proper supporting documentation attached.

OSAI also recommends that the County design and implement internal controls to ensure that all County policies and procedures as noted in the County Handbook regarding credit card use and travel expenses are followed by all County Offices.

**Management Response:**

**County Commissioner District 1:** We will start attaching state contracts to the purchase order and ensure all purchase orders are encumbered prior to purchasing.

**Chairman of the Board of County Commissioners/District 2 Commissioner:** The Sheriff's credit card issues were corrected upon the new administration in that office.

**County Commissioner District 3:** For District 3, these issues have already been addressed.

**County Clerk:** Although the auditor's testwork indicated the County Clerk's office was complying with purchasing guidelines, we will work with other officials to resolve these issues.

**County Treasurer:** I will make sure the receiving reports are dated after the purchase orders are encumbered.

**County Sheriff:** This was under prior administration and these issues have been addressed under the current administration.

**Criteria:** The 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, 2019**

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

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

*Definitions of Objectives*

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

Title 19 O.S. § 1505(C) and § 1505(E) requires county funds to be encumbered prior to the receipt of goods and/or services and disbursements of county funds should be supported with invoices and receiving reports.

Title 19 O.S. § 1506 prescribes the procedures for the application and use of County credit cards.

Title 19 O.S. § 1507 sets the limits for credit cards issued by counties.

*"All expenses must be encumbered in advance. Find a hotel in the area that is equal to or less than the accepted government rate. Gather information from the hotel desired for the trip, including the name and address of the hotel, local phone number, actual total cost for the room, the type of room, and the name of the person you are dealing with. The elected official/department head will make the reservation and submit a PO. Collect and record this information and have a purchase order created. Add \$100 to the purchase order ("PO") for incidentals. Give the particular room and hotel information to the purchasing agent along with the purchase order, and the purchasing agent will fax the PO to the hotel. The PO will be returned with the confirmation number."*

Payne Co. Personnel Policy - Section: Travel Policy, Subsection: Meals states:

*"Meals can be reimbursed on a per diem basis up to the acceptable State rate by day, at the discretion of the elected official/department head. All meals must fall under the per diem amount set by the GSA for that area."*



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