



PUSHMATAHA COUNTY

Financial Audit

For the fiscal year ended June 30, 2018

Cindy Byrd, CPA
State Auditor & Inspector

**PUSHMATAHA COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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Cindy Byrd, CPA | State Auditor & Inspector

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August 31, 2020

TO THE CITIZENS OF
PUSHMATAHA COUNTY, OKLAHOMA

Transmitted herewith is the audit of Pushmataha County, Oklahoma for the fiscal year ended June 30, 2018. The audit was conducted in accordance with 19 O.S. § 171.

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

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

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

Sincerely,

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

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



**PUSHMATAHA COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Board of County Commissioners

District 1 – Michael Brittingham
District 2 – Brad Burgett
District 3 – Rickie Briggs

County Assessor

Frances Joslin

County Clerk

Jane Dunlap

County Sheriff

Bryon Hedgecock Jr.

County Treasurer

Jenny Beth Caraway through March 31, 2018
Vacant from April 1, 2018 to June 30, 2018

Court Clerk

Tina Freeman

District Attorney

Mark Matloff

**PUSHMATAHA COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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FINANCIAL SECTION

Independent Auditor's Report

TO THE OFFICERS OF
PUSHMATAHA 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 Pushmataha County, Oklahoma, as of and for the year ended June 30, 2018, 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 Pushmataha 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 Pushmataha County as of June 30, 2018, 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 Pushmataha County, for the year ended June 30, 2018, 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 are 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 August 24, 2020, on our consideration of Pushmataha 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 Pushmataha 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

August 24, 2020

REGULATORY BASIS FINANCIAL STATEMENT

PUSHMATAHA COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS
(WITH COMBINING INFORMATION)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Beginning Cash Balances July 1, 2017	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2018
Combining Information:				
County General Fund	\$ 780,987	\$ 1,606,734	\$ 1,081,302	\$ 1,306,419
County Highway	1,259,498	2,758,066	2,611,454	1,406,110
Resale Property	285,517	113,451	168,048	230,920
County Health	330,962	356,766	229,286	458,442
Sheriff Cash Service Fee	57,183	224,346	215,024	66,505
Treasurer Mortgage Tax Fee	1,808	2,245	2,424	1,629
County Clerk Lien Fee	5,242	4,475	2,937	6,780
Assessor Visual Inspection	40	-	-	40
Sheriff Revolving	28	-	-	28
Assessor Revolving Fund	53,795	5,252	10,577	48,470
Sheriff Drug Cash Account	236	-	177	59
REAP	6,417	114,309	120,284	442
SGA (Sheriff Grant Account)	7	30,000	18,989	11,018
RMP (Records Management and Preservation Fund)	42,863	14,105	25,206	31,762
ST (Sales Tax) Cash	427,429	569,545	568,676	428,298
CBRI-105	605,783	217,641	157,504	665,920
Trash Cop	145	4,500	1,441	3,204
911 Collections	23,992	128,792	142,343	10,441
BIA-3	-	22,766	20,659	2,107
Sheriff Commissary Account	10,652	73,814	61,004	23,462
DOC Revolving Fund	2,394	21,672	17,415	6,651
Court Clerk Payroll	1,228	69,601	60,751	10,078
Sheriff Restitution	-	700	-	700
Combined Total - All County Funds	\$ 3,896,206	\$ 6,338,780	\$ 5,515,501	\$ 4,719,485

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

**PUSHMATAHA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

1. Summary of Significant Accounting Policies

A. Reporting Entity

Pushmataha 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 government.

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

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

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

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

**PUSHMATAHA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

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

Assessor Visual Inspection – accounts for the collection and disbursement of monies by the Assessor as restricted by state statute for the visual inspection program.

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

Assessor Revolving Fund – accounts for the collection of fees for copies and disbursements by the Assessor as restricted by state statute.

Sheriff Drug Cash Account – accounts for the collection of the Sheriff's percentage of drug forfeitures and disbursed as restricted by state statute.

REAP – accounts for state grant funds used for various community projects in Pushmataha County.

SGA (Sheriff Grant Account) – accounts for state funds to be used for the operation of the Sheriff's office.

RMP (Records Management and Preservation Fund) – accounts for fees collected for instruments filed with the County Clerk as restricted by state statute for preservation of records.

ST (Sales Tax) Cash – accounts for the collection of one-cent sales tax revenue for the use of maintenance and operation of the County jail and office of the Sheriff, for County General maintenance and operation, OSU-Extension office, County Fair Board, Economic Development and Emergency Management as restricted by the sales tax ballot.

CBRI-105 –accounts for state funds to be used for the construction of roads and bridges throughout the County.

Trash Cop –accounts for state funds to be used to prosecute trash offenders.

911 Collections – accounts for the collection of fees charged on telephone bills for the County's Emergency 911 system. Disbursements are for the expenditures related to providing 911 services.

BIA-3 – accounts for Bureau of Indian Affairs (BIA) funds from the Choctaw Nation to be used for road projects throughout the County.

**PUSHMATAHA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Sheriff Commissary Account – accounts for profits on commissary sales in the county jail to be used by the Sheriff's office for jail expenses as restricted by state statute.

DOC Revolving Fund – accounts for the monies received from the State of Oklahoma for the boarding and feeding of Department of Corrections' prisoners.

Court Clerk Payroll – accounts for funds deposited to be used for payroll for the Court Clerk's office.

Sheriff Restitution – accounts for funds collected to repay vendors' delinquent accounts from fraudulent purchase orders.

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 the first Monday in July of each year, each officer or department head submits an estimate of needs to the governing body. The budget is approved for the respective fund by office, or department and object. The County Board of Commissioners may approve changes of appropriations within the fund by office or department and object. To increase or decrease the budget by fund requires approval by the County Excise Board.

**PUSHMATAHA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

E. Cash and Investments

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

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

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

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

At June 30, 2018, the County's investments were under-collateralized in the amount of \$18,394.

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.

**PUSHMATAHA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

3. Other Information

A. Pension Plan

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

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

B. Other Post Employment Benefits (OPEB)

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

C. Contingent Liabilities

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

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

**PUSHMATAHA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

D. Sales Tax

Sales Tax of July 1, 2013

The voters of Pushmataha County approved a continuation of a one-quarter percent (1/4%) sales tax effective July 1, 2013. The sales tax is effective for a period of five years. This sales tax was established to provide revenue dedicated solely for the purchase of any and all equipment, maintenance, training, construction on new buildings or improvements made to existing buildings, existing or future loans, services and supplies for all existing Fire Departments in Pushmataha County, with the said tax funds to be divided among said recognized Fire Departments on an equal, share and share alike basis. These funds are accounted for in the County General Fund.

The voters of Pushmataha County also approved a continuation of a three-quarter percent (3/4%) sales tax effective July 1, 2013. The sales tax is effective for a period of five years. This sales tax is to be used and dedicated solely for facilities operation, maintenance, equipment, and administration of the Pushmataha County Hospital. These funds are accounted for in the County General Fund.

Sales Tax of April 1, 2016

The voters of Pushmataha County approved a continuation of a one percent (1%) sales tax effective five (5) years beginning April 1, 2016 and terminating March 31, 2021. The proceeds shall be deposited in the Pushmataha County General Revenue Fund and used for the following specific purposes and in the following specific percentage amounts:

- | | |
|--|------|
| • Maintenance and Operation of the County Jail and for the financing the Operation and Maintenance of the Office of the Sheriff | 50% |
| • County General Maintenance and Operation which funds the offices of the Tax Assessor, County Clerk, County Treasurer, Court Clerk, Election Board, District Attorney, Sheriff; and for Maintenance and Operation and Equipment of County Roads | 34% |
| • OSU Extension Office | 9% |
| • Pushmataha County Fair Board | 2% |
| • Economic Development | 3.5% |
| • Emergency Management | 1.5% |

These funds are accounted for in the ST (Sales Tax) Cash fund.

SUPPLEMENTARY INFORMATION

PUSHMATAHA 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, 2018

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 780,987	\$ 780,987	\$ -
Less: Prior Year Outstanding Warrants	(32,536)	(32,536)	-
Less: Prior Year Encumbrances	(23,290)	(20,706)	2,584
Beginning Cash Balances, Budgetary Basis	<u>725,161</u>	<u>727,745</u>	<u>2,584</u>
 Total Receipts, Budgetary Basis	 <u>1,245,624</u>	 <u>1,606,734</u>	 <u>361,110</u>
Total Expenditures, Budgetary Basis	<u>1,973,771</u>	<u>1,067,977</u>	<u>905,794</u>
 Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	 <u>\$ (2,986)</u>	 1,266,502	 <u>\$ 1,269,488</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		96	
Add: Current Year Outstanding Warrants		30,531	
Add: Current Year Encumbrances		<u>9,290</u>	
Ending Cash Balance		<u>\$ 1,306,419</u>	

**PUSHMATAHA 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, 2018**

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 330,962	\$ 330,962	\$ -
Less: Prior Year Outstanding Warrants	(1,308)	(1,308)	-
Less: Prior Year Encumbrances	(27,649)	(17,079)	10,570
Beginning Cash Balances, Budgetary Basis	<u>302,005</u>	<u>312,575</u>	<u>10,570</u>
 Total Receipts, Budgetary Basis	 <u>348,155</u>	 <u>356,766</u>	 <u>8,611</u>
 Total Expenditures, Budgetary Basis	 <u>650,160</u>	 <u>284,239</u>	 <u>365,921</u>
 Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	 <u>\$ -</u>	 385,102	 <u>\$ 385,102</u>
 Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		72,039	
Add: Current Year Outstanding Warrants		<u>1,301</u>	
Ending Cash Balance		<u>\$ 458,442</u>	

**PUSHMATAHA COUNTY, OKLAHOMA
NOTE TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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
PUSHMATAHA 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 Pushmataha County, Oklahoma, as of and for the year ended June 30, 2018, and the related notes to the financial statement, which collectively comprises Pushmataha County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated August 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, 2018, 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 Pushmataha 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 Pushmataha County's internal control. Accordingly, we do not express an opinion on the effectiveness of Pushmataha 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: 2018-001, 2018-002, and 2018-003.

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: 2018-004 and 2018-005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pushmataha 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Pushmataha County's Response to Findings

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

August 24, 2020

**PUSHMATAHA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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 2018-001 – Lack of County-Wide Internal Controls (Repeat Finding – 2012-001, 2013-001, 2014-001, 2015-001)

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

Cause of Condition: Policies and procedures have not been designed and implemented to ensure that an adequate system of county-wide controls exists.

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 the County design procedures to identify and address risks related to financial reporting. OSAI also recommends that the County design 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 Chairman, I will make an effort to work with officials to identify risks and implement monitoring procedures.

County Clerk: We will make every effort to work with all officers to identify risks and establish written policies to address and avoid fraud.

County Treasurer: In the future I will work with other county officials to have quarterly meetings to address any risks to the County.

Criteria: The United States Government Accountability Office’s *Standards for Internal Control in the Federal Government* (2014 version) aided in guiding our assessments and conclusion. Although this publication (GAO Standards) addresses controls in the federal government, this criterion can be treated as best practices and may be applied as a framework for an internal control system for state, local, and quasi-governmental entities.

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

Definition of Internal Control

Internal control is a process effected by an entity’s oversight body, management, and other

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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

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.

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 2018-002 – Lack of Segregation of Duties Over Receipting and Balancing Processes (Repeat Finding – 2012-005, 2013-005, 2014-004, 2015-003)

Condition: The duties of issuing receipts, preparing deposits, and reconciling bank statements in the County Treasurer’s office are not properly segregated. While the County Treasurer has implemented some mitigating controls, the following weaknesses still exist:

- All employees issue receipts and have administrator rights to void receipts.
- Voided receipts are not reviewed or approved by someone other than the employee voiding the receipt.
- The employee designated to balance the combined cash drawers also balances their own cash drawer.
- Although cash and checks are verified to receipts while balancing each employee’s cash drawer, there is no independent verification to determine that the original change amount was left intact.
- The amount encoded by the bank on the deposit receipt is verified to the deposit slip; however, the amount encoded by the bank is in total and does not denote the cash amount separately.
- The EFTPS bank reconciliation is not reviewed by someone other than the preparer.

The following item, when evaluated with the weaknesses noted above, further weakens the internal controls in place regarding the collection process:

- A mail log is not utilized for collections.

Cause of Condition: Although the County Treasurer has worked to implement internal controls over the collections process, there are still weaknesses that should be addressed to safeguard funds and ensure accurate financial reporting.

Effect of Condition: These conditions could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of funds.

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Recommendation: OSAI recommends the County Treasurer implement the following compensating controls to mitigate the risks involved with a concentration of duties:

- A report of voided receipts should be generated daily and reviewed for validity and accuracy. Explanations for voided receipts should be included on the report. The report should reflect evidence of the review with initials and dates.
- The entire cash drawer should be counted and verified by a second person.
- Additional documentation should be obtained on the deposit receipt from the bank indicating amounts deposited for cash. The amounts encoded on the receipt (cash and total deposit) should be agreed to deposit records by someone other than the person who delivered the deposit to the bank.
- All bank reconciliations should be reviewed by someone other than the preparer.

The County Treasurer could further strengthen internal controls by implementing the following procedure:

- Maintain a daily log of mailed in receipts.

Management Response:

County Treasurer:

- We have a daily report that we will add to the voided receipt folder as needed to show errors and corrections.
- As of July 2019, we have put in place a voided receipt folder that will be reviewed and initialed and dated by two people.
- As of October 2019, there will be a monthly random cash drawer audit to be signed by the person assigned the cash drawer and the person auditing the cash drawer.
- We are in the process of working with the financial institution to see if we can implement proof of cash in deposit.
- As of August 2019, the EFTPS bank account will be reviewed by two people and signed and dated.
- I am talking with the software programmer to see if a mail log can be added to the system to generate a mail log.

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

Segregation of duties

Management divides or segregates key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. This includes separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets so that no one individual controls all key aspects of a transaction or event.

Additionally, Principle 10 - Segregation of Duties states:

10.12 – Management considers segregation of duties in designing control activity responsibilities so that incompatible duties are segregated and, where such segregation is not practical, designs alternative control activities to address the risk.

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10.13 – Segregation of duties helps prevent fraud, waste, and abuse in the internal control system. Management considers the need to separate control activities related to authority, custody, and accounting of operations to achieve adequate segregation of duties. In particular, segregation of duties can address the risk of management override. Management override circumvents existing control activities and increases fraud risk. Management addresses this risk through segregation of duties, but cannot absolutely prevent it because of the risk of collusion, where two or more employees act together to commit fraud.

10.14 – If segregation of duties is not practical within an operational process because of limited personnel or other factors, management designs alternative control activities to address the risk of fraud, waste, or abuse in the operational process.

Finding 2018-003 – Lack of Segregation of Duties Over the Payroll Process (Repeat Finding – 2012-006, 2013-006, 2014-006, 2015-005)

Condition: Upon inquiry and observation of the County’s payroll process, we noted that all duties are not properly segregated:

- One person enrolls all new employees, maintains personnel files, prepares payroll, prints payroll warrants, and has custody of payroll warrants.

Cause of Condition: Policies and procedures have not been designed and implemented with regard to segregation of duties and/or compensating internal controls over the payroll process.

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

Recommendation: OSAI recommends management be aware of this condition and determine if duties can be properly segregated. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risks involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office and having management review and approval of accounting functions.

Management Response:

County Clerk: I am currently training another employee in all payroll functions. Once she is trained, we will be sharing the payroll duties.

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

Segregation of Duties

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

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for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets so that no one individual controls all key aspects of a transaction or event.

Additionally, Principle 10 - Segregation of Duties states:

10.12 – Management considers segregation of duties in designing control activity responsibilities so that incompatible duties are segregated and, where such segregation is not practical, designs alternative control activities to address the risk.

10.13 – Segregation of duties helps prevent fraud, waste, and abuse in the internal control system. Management considers the need to separate control activities related to authority, custody, and accounting of operations to achieve adequate segregation of duties. In particular, segregation of duties can address the risk of management override. Management override circumvents existing control activities and increases fraud risk. Management addresses this risk through segregation of duties, but cannot absolutely prevent it because of the risk of collusion, where two or more employees act together to commit fraud.

10.14 – If segregation of duties is not practical within an operational process because of limited personnel or other factors, management designs alternative control activities to address the risk of fraud, waste, or abuse in the operational process.

Finding 2018-004 – Lack of Internal Controls Over Sales Tax Collections

Condition: Upon inquiry and observation, and the review of documentation regarding the process of apportioning/appropriating sales tax collections, the following exception was noted:

- Calculations of the apportionments/appropriations of sales tax monies are not reviewed and approved by someone other than the preparer.

Cause of Condition: Policies and procedures have not been designed and implemented regarding the sales tax collection process to ensure adequate internal controls.

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

Recommendation: OSAI recommends that the County implement a review process over the calculations for the sales tax apportionment/appropriation, which would include someone other than the preparer reviewing and approving the calculations for accuracy.

Management Response:

County Treasurer: In the future, all sales tax collections will be reviewed by someone other than the preparer and documentation of the review will be maintained.

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County Clerk: In the future, I will check all calculations of sales tax each month.

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

Segregation of duties

Management divides or segregates key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. This includes separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets so that no one individual controls all key aspects of a transaction or event.

Finding 2018-005 – Lack of Internal Controls Over the Reconciliation of Appropriation Ledger to General Ledger

Condition: The County has not designed and implemented internal controls to ensure that monthly reconciliations of the County Clerk’s appropriation ledger to the County Treasurer’s general ledger are performed for all cash funds. Upon inquiry and observation of the County’s reconciliation process, it was noted that monthly reconciliations were not performed for the following funds: REAP, BIA-3, and Sheriff Restitution.

Cause of Condition: Policies and procedures have not been designed and implemented regarding the monthly reconciliation of the County Clerk’s appropriation ledger to the County Treasurer’s general ledger to ensure that all cash funds are included.

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

Recommendation: OSAI recommends the County design and implement procedures to ensure all cash funds are included in the monthly reconciliation of the appropriation ledger to the general ledger.

Management Response:

County Treasurer: Procedures are in place to reconcile all accounts monthly with the County Clerk.

County Clerk: The REAP, BIA-3, and Sheriff Restitution funds will be balanced each month in the future.

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.

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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 2018-006 – Lack of Internal Controls and Noncompliance Over the Inmate Trust Fund Checking Account and Sheriff Commissary Fund (Repeat Finding)

Condition: Upon inquiry of County personnel, observation, and review of documents regarding the Inmate Trust Fund Checking Account and Sheriff Commissary Fund, the following weaknesses were noted:

- One (1) employee collects money from the kiosks, receives check payments, manually posts check payments to inmate accounts, prepares deposit tickets, takes deposits to the bank, prepares and signs checks, and issues debit cards.
- Monies are not collected from the Kiosks on a daily basis.
- Bank deposit receipts are not reviewed upon return from the bank to verify that the correct amount was deposited.
- A debit card log is not maintained.
- Commissary profit, to be transferred to the Sheriff Commissary Account fund, is not accurately calculated.
- Receipts are not issued for check payments.
- Check payments received are not deposited daily.
- Inmate Trust Fund checks are not issued in sequential order.
- Inmate ledger balances are not reconciled to the bank statements. Additionally, many bank statements are unopened and/or could not be located.
- One (1) employee places commissary orders, performs inventory of commissary items, updates the inventory in the commissary software system, verifies goods received, fulfills inmates’ commissary orders, updates inmate account balances, and disburses commissary items to inmates.
- No documentation is maintained for the review of commissary items in stock to commissary records.
- The County Sheriff has not implemented any procedures for unclaimed Inmate Trust Fund monies.
- The County Sheriff’s office does not file an annual report for the Sheriff Commissary Fund with the Board of County Commissioners by January 15th of each year.
- The County does not have a contract with the County Sheriff’s commissary software vendor.
- The contract for the County Sheriff’s inmate phone system is not renewed by the Board of County Commissioners annually.

Additionally, while reviewing receipts it was noted that receipts issued for cash bonds are not issued in sequential order, the carbon copy is not consistently retained, and monies are not deposited daily. It was also noted that cash bond monies received are not verified by second employee and the cash in the lockbox is not retrieved daily.

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Cause of Condition: Policies and procedures have not been designed and implemented regarding the Inmate Trust Fund Checking Account, Sheriff Commissary Fund, and cash bonds.

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

Recommendation: OSAI recommends the following:

- Key duties and responsibilities be segregated among different individuals to reduce the risk of error or fraud. No one individual should have the ability to authorize transactions, have physical custody of assets, and record transactions.
- Kiosks should be checked, and cash collected daily.
- Bank deposit receipts should be reviewed to verify that the correct amount was deposited.
- A log should be maintained for debit cards.
- Commissary profits should be transferred monthly and calculated accurately.
- Receipts should be issued for all monies collected in the County Sheriff's office.
- All funds received should be deposited to the Inmate Trust Fund Checking Account daily.
- Inmate Trust Fund checks should be issued in sequential order.
- Inmate Trust Fund monies should be maintained in a manner that reflects each inmate's trust deposits, disbursements, and account balances. The inmate's ledger balances should be reconciled to the bank statements each month.
- Duties associated with the County Sheriff's in-house Commissary should be adequately segregated.
- Documentation of a periodic review of the commissary inventory should be maintained.
- The Sheriff's office should design and implement procedures to address unclaimed Inmate Trust Fund monies in accordance with Title 22 O.S. § 1325(F, H).
- The County Sheriff should file a report of the Commissary with the Board of County Commissioners by January 15th, of each year in accordance with Title 19 O.S. § 180.43 D.
- Contracts with vendors should be maintained and renewed annually by the Board of County Commissioners.
- Cash bond receipts should be issued in sequential order and the carbon copy retained. Cash bond monies should be deposited daily. When received, cash bond monies should be verified by a second employee and the lockbox for cash bonds should be removed daily.

Management Response:

County Sheriff: The following new policies have been implemented:

- A supervising deputy will go over and review all processes.
- Cash deposited in the kiosks will be removed daily when banks are open.
- Upon return from the bank, bank deposit receipts will be reviewed and signed by supervising deputy.
- A debit card log will be maintained.
- When calculating commissary profit, outstanding checks will be included in the calculation.

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- Receipts will be issued for check payments.
- Checks will be deposited daily.
- Inmate Trust Fund checks will be issued in sequential order.
- Bank statements will be opened and reconciled.
- The employee over the commissary will be supervised by a deputy when placing orders, inventorying items, verifying goods received, filling commissary orders, updating inmate account balances, and disbursing commissary to inmates.
- Documentation of the review of commissary inventory will be maintained and reviewed.
- Certified letters will be sent to released inmates for unclaimed money. After 6 months if not claimed, it will be reported as unclaimed property.
- An annual report for the Sheriff Commissary will be ready before the 15th of January.
- We have a contract with the commissary vendor, and it has been reviewed by the Commissioners.
- We have a new phone contract that was approved by the Commissioners and will be renewed annually.
- The cash bonds deposited into the lockbox will be removed daily and new voucher books have been purchased to keep cash bonds in sequential order.

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

Segregation of duties

Management divides or segregates key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. This includes separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets so that no one individual controls all key aspects of a transaction or event.

Accurate and timely recording of transactions

Transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from its initiation and authorization through its final classification in summary records. In addition, management designs control activities so that all transactions are completely and accurately recorded.

Title 19 O.S. § 180.43 D. states, “Each county sheriff may operate, or contract the operation of, a commissary for the benefit of persons lawfully confined in the county jail under the custody of the county sheriff. Any funds received pursuant to said operations shall be the funds of the county where the persons are incarcerated and shall be deposited in the Sheriff’s Commissary Account. The sheriff shall be permitted to expend the funds to improve or provide jail services. The sheriff shall be permitted to expend any surplus in the Sheriff’s Commissary Account for administering expenses for training equipment, travel or for capital expenditures. The claims for expenses shall be filed with and allowed by the board of county commissioners in the same manner as other claims. The sheriff shall receive no compensation for the operation of said commissary. The sheriff shall file an annual report on any said commissary under his or her operation no later than January 15 of each year.

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The State Auditor and Inspector shall conduct an audit of the report in the same manner as other public records of the county.”

Title 19 O.S. § 531(A) states in part, “the county sheriff may establish a checking account, to be designated the ‘Inmate Trust Fund Checking Account’,” and, “The county sheriff shall deposit all monies collected from inmates incarcerated in the county jail into this checking account and may write checks to the Sheriff’s Commissary Account for purchases made by the inmate during his or her incarceration and to the inmate from unencumbered balances due the inmate upon his or her discharge.”

Title 22 O.S. § 1325(F, H) states:

F. A sheriff's office having in its possession money or legal tender under the circumstances provided in subsection A of this section, prior to appropriating the same for deposit into a special fund, shall file an application in the district court of its county requesting the court to enter an order authorizing it to so appropriate the money for deposit in the special fund. The application shall describe the money or legal tender, together with serial numbers, if any, the date the same came into the possession of the sheriff's office or campus police agency, and the name and address of the owner, if known. Upon filing, the application, which may be joined with an application as described in subsection C of this section, shall be set for hearing not less than ten (10) days nor more than twenty (20) days from the filing thereof, and notice of the hearing shall be given as provided in subsection D of this section. The notice shall state that, upon no one appearing to prove ownership to the money or legal tender, the same will be ordered by the court to be deposited in the special fund by the sheriff's office or campus police agency. The notice may be combined with a notice to sell personal property as set forth in subsection D of this section. At the hearing, if no one appears to claim and prove ownership to the money or legal tender, the court shall order the same to be deposited by the sheriff's office or campus police agency in the special fund, as provided in subsection H of this section.

H. The money received from the sale of personal property as above provided, after payment of the court costs and other expenses, if any, together with all money in possession of the sheriff's office or campus police agency, which has been ordered by the court to be deposited in the special fund, shall be deposited in such fund which shall be separately maintained by the sheriff's office in a special fund with the county treasurer or campus police agency to be expended upon the approval of the sheriff or head of the campus police agency for the purchase of equipment, materials or supplies that may be used in crime prevention, education, training or programming. The fund or any portion of it may be expended in paying the expenses of the sheriff or any duly authorized deputy or employee of the campus police agency to attend law enforcement or public safety training courses which are conducted by the Oklahoma Council on Law Enforcement Education and Training (CLEET) or other certified trainers, providers, or agencies.



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