



OTTAWA COUNTY

Financial Report

For the fiscal year ended June 30, 2020

Cindy Byrd, CPA
State Auditor & Inspector

**OTTAWA COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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



July 17, 2023

TO THE CITIZENS OF
OTTAWA COUNTY, OKLAHOMA

Transmitted herewith is the audit of Ottawa County, Oklahoma for the fiscal year ended June 30, 2020. The audit was conducted in accordance with 19 O.S. § 171.

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

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

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

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

Sincerely,

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

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

**OTTAWA COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Board of County Commissioners

District 1 – Mike Furnas
District 2 – Chad Masterson
District 3 – Russell Earls

County Assessor

Becky Smith

County Clerk

Robyn Mitchell

County Sheriff

Jeremy Floyd

County Treasurer

Kathy Bowling

Court Clerk

Cassie Key

District Attorney

Kenny Wright

**OTTAWA COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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**OTTAWA COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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FINANCIAL SECTION



Independent Auditor's Report

TO THE OFFICERS OF
OTTAWA COUNTY, OKLAHOMA

Report on the Financial Statement

We have audited the total—all county funds on the accompanying regulatory basis Statement of Receipts, Disbursements, and Changes in Cash Balances of Ottawa County, Oklahoma, as of and for the year ended June 30, 2020, 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 Ottawa 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 Ottawa County as of June 30, 2020, or changes in financial position for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the total of receipts, disbursements, and changes in cash balances for all county funds of Ottawa County, as of and for the year ended June 30, 2020, in accordance with the basis of accounting described in Note 1.

Other Matters

Supplementary Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2023, on our consideration of Ottawa 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 Ottawa County's internal control over financial reporting and compliance.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

June 21, 2023

REGULATORY BASIS FINANCIAL STATEMENT

OTTAWA COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Beginning Cash Balances July 1, 2019	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2020
County Funds:						
County General Fund	\$ 1,079,189	\$ 4,263,105	\$ 600,149	\$ 604,435	\$ 4,093,352	\$ 1,244,656
County Health	229,834	286,205	-	-	231,811	284,228
Bureau of Indian Affairs (BIA) Stateline Road	34,566	1,555,563	-	-	1,590,020	109
Bureau of Indian Affairs (BIA) Cayuga	805	-	-	-	805	-
County Highway Unrestricted	1,762,773	2,233,629	605,603	600,000	2,460,747	1,541,258
Roads and Bridges - ST	1,506,003	1,335,508	-	-	1,155,932	1,685,579
County Building - ST	702,396	643,783	-	-	497,562	848,617
MIDA Rawlins Sinking	139	11	-	149	-	1
Rural Fire - ST	300,892	258,151	-	-	244,832	314,211
Sheriff Board of Prisoners	9,327	11,234	-	3,970	16,591	-
County Bridge and Road Improvement	978,596	359,353	-	558,430	135,720	643,799
Resale Property	435,529	219,852	-	1,168	238,125	416,088
Local Emergency Planning Committee	3,000	1,000	-	-	-	4,000
Emergency Management Performance Grant	26,475	6,807	-	-	9,304	23,978
Sheriff Service Fee	64,652	300,598	3,970	-	262,238	106,982
Sheriff Bond Fee	3,118	4,793	-	-	3,761	4,150
Sheriff Commissary	16,155	34,101	-	-	46,822	3,434
Sheriff Reserves	1,560	-	814	-	2,227	147
Sheriff Forfeiture	6,082	-	-	-	2,462	3,620
County Clerk Lien Fee	11,820	9,823	-	-	5,155	16,488
County Clerk Records Management and Preservation	51,439	41,316	-	-	21,967	70,788
Treasurer Mortgage Certification	6,336	4,515	-	-	4,713	6,138
Reward Fund	1,371	-	-	-	-	1,371
Assessor Revolving Fee	14,904	1,782	-	-	1,446	15,240
Safe Room Grant	278	-	-	-	278	-
County Donations	8,387	12,200	-	814	9,110	10,663
Convenience Center Fund	1,087	9,506	-	-	4,864	5,729
Total - All County Funds	\$ 7,256,713	\$ 11,592,835	\$ 1,210,536	\$ 1,768,966	\$ 11,039,844	\$ 7,251,274

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

**OTTAWA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

B. Fund Accounting

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

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

County General Fund – accounts for the general operations of the government with revenues from ad valorem taxes, officers' fees, sales tax, interest earnings, and miscellaneous collections of the County.

County Health – accounts for ad valorem taxes, miscellaneous fees charged by the County Health Department, and state and federal funds. Disbursements are from the operation of the County Health Department.

Bureau of Indian Affairs (BIA) Stateline Road – accounts for money received from the federal government for construction and improvement of roads and bridges within the County as restricted by the grant agreements.

Bureau of Indian Affairs (BIA) Cayuga – accounts for money received from the federal government for construction and improvement of roads and bridges within the County as restricted by the grant agreements.

**OTTAWA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

County Highway Unrestricted – accounts for revenues from state-imposed fuel taxes. Disbursements are for the maintenance and construction of county roads and bridges.

Roads and Bridges - ST – accounts for the collections of sales tax revenue and the disbursement of funds are for the construction of county roads and bridges as restricted by the sales tax ballot.

County Building - ST – accounts for the collections of sales tax revenue and the disbursement of funds are for the County Courthouse facilities and to pay the principal and interest on indebtedness on behalf of the County by the Ottawa County Governmental Building Authority as restricted by the sales tax ballot.

MIDA Rawlins Sinking – accounts for revenues from ad valorem taxes collected for the payment of principal and interest on bonds and judgments against the County. The County paid off the outstanding debt in fiscal year 2017 and the 2019 and 2020 collections were transferred to the General Fund in accordance with Title 62 O.S. §445.

Rural Fire - ST – accounts for the collections of sales tax revenue and disbursement of funds are for the purchase of equipment, general operation, maintenance, training, and the construction of new fire department buildings or improvements to existing fire department buildings as restricted by the sales tax ballot.

Sheriff Board of Prisoners – accounts for revenues from fees charged for boarding prisoners of non-county entities in the county jail. Disbursements are for feeding and housing inmates of the county jail as restricted by state statute.

County Bridge and Road Improvement – accounts for state monies received for construction and/or improvement of bridges within the County.

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

Local Emergency Planning Committee – accounts for the receipt of funds from state and local governments and disbursed as restricted by the grant agreements.

Emergency Management Performance Grant – accounts for the receipt of federal funds to be disbursed as restricted by the grant agreements.

Sheriff Service Fee – accounts for the collection of fees and reimbursements for revenues such as: process fees, courthouse security fees, contracts for housing prisoners, and disbursements as restricted by state statute.

Sheriff Bond Fee – accounts for revenues from a fee charged to all persons who post a surety bond and are subsequently incarcerated. Disbursements are for any legal expense of the jail.

**OTTAWA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Sheriff Commissary – accounts for monies received from commissary sales in the county jail. Disbursements are for jail operations as defined by state statute.

Sheriff Reserves – accounts for revenues from donations provided to the Sheriff’s Office and disbursed for the purpose designated at the time of the donation.

Sheriff Forfeiture – accounts for revenue from distribution made by the District Attorney after settlement of forfeiture cases. Disbursements are for the maintenance and operations of the Sheriff’s Drug Task Force.

County Clerk Lien Fee – accounts for revenues from fees charged by the County Clerk for filing liens. Disbursements are for any lawful expense of the County Clerk’s office.

County Clerk Records Management and Preservation – accounts for fees collected for instruments filed with the County Clerk’s office as restricted by state statute to be used for preservation of records.

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

Reward Fund – accounts for the revenue received from the Court Clerk for littering fines. Disbursement of funds as restricted by Title 22 O.S. § 1334.

Assessor Revolving Fee – accounts for the collection of fees for copies to be disbursed as restricted by state statute.

Safe Room Grant – accounts for federal grant revenues and disbursements for the Safe Room Reimbursement Grant.

County Donations – accounts for donations received through the Board of County Commissioners and disbursed for the purpose designated at the time of the donation.

Convenience Center Fund – accounts for receipt and disbursement of funds received from the state and donations for the convenience center project.

C. Basis of Accounting

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

**OTTAWA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

D. Budget

Under current Oklahoma Statutes, a general fund and a county health department fund are the only funds required to adopt a formal budget. On or before the first Monday in July of each year, each officer or department head submits an estimate of needs to the governing body. The budget is approved for the respective fund by office, or department and object. The County Board of Commissioners may approve changes of appropriations within the fund by office or department and object. To increase or decrease the budget by fund requires approval by the County Excise Board.

E. Cash and Investments

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

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

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

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

**OTTAWA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

2. Ad Valorem Tax

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

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

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

3. Other Information

A. Pension Plan

Plan Description. The County contributes to the Oklahoma Public Employees Retirement Plan (the Plan), a cost-sharing, multiple-employer defined benefit pension plan administered by the Oklahoma Public Employees Retirement System (OPERS). Benefit provisions are established and amended by the Oklahoma Legislature. The Plan provides retirement, disability, and death benefits to Plan members and beneficiaries. Title 74, Sections 901 through 943, as amended, establishes 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

**OTTAWA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

plan. These benefits are funded on a pay-as-you-go basis as part of the overall retirement benefit. OPEB expenditure and participant information is available for the state as a whole; however, information specific to the County is not available nor can it be reasonably estimated.

C. Contingent Liabilities

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

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

D. Sales Tax

On September 15, 1992, Ottawa County voters approved a permanent one-half cent county sales tax effective November 1, 1992. The purpose of the tax is for the construction, maintenance, and operation of a modern jail facility and operation of the Ottawa County Sheriff's Department. These funds are accounted for in the County General Fund.

On November 3, 1998, Ottawa County voters approved a permanent one-half cent sales tax effective January 1, 1999, for the construction, operation, and maintenance of the county road and bridge system of Ottawa County, Oklahoma. These funds are accounted for in the Roads and Bridges - ST fund.

On November 18, 2003, Ottawa County voters approved a one-tenth of one percent (1/10 of 1%) county sales tax in perpetuity and effective on or after April 1, 2004, which is to be used to fund the fire departments in Ottawa County, for purposes including, but not limited to equipment, general operations, maintenance, training, and the construction of new fire department buildings or improvements to existing fire department buildings. These funds are accounted for in the Rural Fire - ST fund.

On December 13, 2005, Ottawa County voters approved a one-fourth of one percent (1/4 of 1%) county sales tax for the sole purpose to pay for acquiring, constructing, equipping, repairing, renovating, operating, and maintaining county courthouse facilities for Ottawa County, Oklahoma, and to pay the principal and interest on indebtedness incurred on behalf of the County by the Ottawa County Governmental Building Authority for such purposes. The effective date of this tax is April 1, 2006, and shall expire and cease to be collected when sufficient funds have been collected from said levy to retire such indebtedness or on April 1, 2036, whichever shall occur earlier. These funds are accounted for in the County Building – ST fund.

**OTTAWA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

E. Interfund Transfers

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

- \$600,000 was transferred from the County Highway Unrestricted fund to the County General Fund to meet the requirements of appropriation in accordance with 68 O.S. § 3021.
- \$600,000 was transferred from the County General Fund to the County Highway Unrestricted fund for the repayment of a loan in accordance with 68 O.S. § 3021.
- \$75 was transferred from the County General Fund to the County Highway Unrestricted fund to correct a prior year apportionment error.
- \$149 was transferred from the MIDA Rawlins Sinking fund to the County General Fund in accordance with 62 O.S. § 445.
- \$4,360 was transferred from the County General Fund to the County Highway Unrestricted fund to reimburse the Highway Unrestricted fund for items purchased in fiscal year 2020 but not paid for until fiscal year 2021.
- \$1,168 was transfer from the Resale Property fund to the County Highway Unrestricted fund to reimburse the Highway Unrestricted fund for items purchased in fiscal year 2020 but not paid for until fiscal year 2021.
- \$3,970 was transferred from the Sheriff Board of Prisoners fund to the Sheriff Service Fee fund by Board of County Commissioners (BOCC) approved transfer resolution to establish a uniform system of bookkeeping in accordance with 74 O.S. § 214.
- \$814 was transferred from the County Donations fund to the Sheriff Reserves fund to correct a prior year apportionment error.
- \$558,430 was transferred from the County Bridge and Road Improvement fund to the Emergency and Transportation Revolving fund (a trust and agency fund) to repay a loan for road and bridge projects.

SUPPLEMENTARY INFORMATION

OTTAWA COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—
BUDGETARY BASIS—GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	General Fund		
	Budget	Actual	Variance
District Attorney - State	\$ 45,000	\$ 44,747	\$ 253
County Sheriff	1,813,744	1,800,109	13,635
County Treasurer	170,132	168,084	2,048
County Commissioners	219,061	211,796	7,265
County Commissioners O.S.U. Extension	110,458	29,369	81,089
County Clerk	338,178	314,338	23,840
Court Clerk	473,659	464,932	8,727
County Assessor	79,684	79,210	474
Visual Inspection	216,675	203,925	12,750
General Government	838,077	546,086	291,991
Excise - Equalization Board	1,938	1,615	323
County Election Expense	166,652	153,796	12,856
Emergency Management	83,262	77,248	6,014
County Audit Budget Account	43,210	-	43,210
County Cemetery Account	400	-	400
Free Fair Budget Account	9,500	9,500	-
Total Expenditures, Budgetary Basis	\$ 4,609,630	\$ 4,104,755	\$ 504,875

OTTAWA COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—
BUDGETARY BASIS—HEALTH FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Health Fund		
	Budget	Actual	Variance
Health and Welfare	\$ 432,478	\$ 226,564	\$ 205,914
Total Expenditures, Budgetary Basis	\$ 432,478	\$ 226,564	\$ 205,914

**OTTAWA COUNTY, OKLAHOMA
NOTE TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

1. Budgetary Schedules

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

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**OTTAWA COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. DEPARTMENT OF TRANSPORTATION			
Transfer to Bureau of Indian Affairs			
Direct Grant			
Highway Planning and Construction Cluster			
Highway Planning and Construction	20.205	A13AC00042-Cayuga Road	\$ 805
Highway Planning and Construction	20.205	A16AC00032-Stateline Road	1,590,019
Total U.S. Department of Transportation Cluster			<u>1,590,824</u>
U.S. ENVIROMENTAL PROTECTION AGENCY			
Passed Through the Oklahoma State Department of Health:			
Superfund State, Political Subdivision, and Indian Tribe			
Site-Specific Cooperative Agreements	66.802	Tar Creek	11,519
Total U.S. Enviromental Protection Agency			<u>11,519</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed Through the Oklahoma Department of Emergency Management:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	PA-4438	19,385
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	PA-4453	43,845
Emergency Management Performance Grants	97.042	EMPG 19	9,316
Total U.S. Department of Homeland Security			<u>72,546</u>
Total Expenditures of Federal Awards			<u>\$ 1,674,889</u>

**OTTAWA COUNTY, OKLAHOMA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of Ottawa County, and is presented on the *cash basis of accounting*. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance.

Indirect Cost Rate

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

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
OTTAWA COUNTY, OKLAHOMA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the total—all county funds of the accompanying Statement of Receipts, Disbursements, and Changes in Cash Balances of Ottawa County, Oklahoma, as of and for the year ended June 30, 2020, and the related notes to the financial statement, which collectively comprise Ottawa County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated June 21, 2023.

Our report included an adverse opinion on the financial statement because the statement is prepared using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County as of and for the year ended June 30, 2020, 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 Ottawa County's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of Ottawa County's internal control. Accordingly, we do not express an opinion on the effectiveness of Ottawa County's internal control.

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

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

of findings and questioned costs that we consider to be material weaknesses: 2020-001, 2020-006, 2020-008, 2020-009, and 2020-011.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ottawa County's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2020-009.

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

Ottawa County's Response to Findings

Ottawa County's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Ottawa County's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

Purpose of this Report

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



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

June 21, 2023



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

TO THE OFFICERS OF
OTTAWA COUNTY, OKLAHOMA

Report on Compliance for Each Major Federal Program

We have audited the compliance of Ottawa County, Oklahoma, with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Ottawa County's major federal program for the year ended June 30, 2020. Ottawa County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Ottawa County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Ottawa County's compliance.

Basis for Qualified Opinion on 20.205 Highway Planning and Construction

As described in Finding 2020-019 in the accompanying schedule of findings and questioned costs, Ottawa County did not comply with requirements regarding the following:

Assistance			
Finding #	Listing	Program (or Cluster) Name	Compliance Requirement
2020-019	20.205	Highway Planning and Construction Cluster	Activities Allowed or Unallowed; Allowable Costs/Cost Principles

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

Qualified Opinion on 20.205 Highway Planning and Construction

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Ottawa County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on 20.205 Highway Planning and Construction for the year ended June 30, 2020.

Other Matters

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

Report on Internal Control Over Compliance

Management of Ottawa County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Ottawa County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Ottawa County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain

deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2020-017, 2020-018, and 2020-019, that we consider to be material weaknesses.

Ottawa County's Response to Findings

Ottawa County's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Ottawa County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

June 21, 2023

**OTTAWA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

SECTION 1—Summary of Auditor’s Results

Financial Statements

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

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?..... Yes

Federal Awards

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported
in accordance with 2 CFR § 200.516(a) of the Uniform Guidance? Yes

Identification of Major Programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction Cluster

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

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

**OTTAWA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

Finding 2020-001 - Lack of County-Wide Controls and Disaster Recovery Plans (Repeat Finding—2007-003, 2008-003, 2013-001, 2014-001, 2015-001, 2016-001, 2017-001, 2018-001, 2019-001)

Condition: When assessing the county-wide internal controls, the following weakness were noted:

- County-wide internal controls regarding Control Environment, Risk Assessment, Information and Communication, and Monitoring have not been designed.
- The Commissioners, County Assessor, Court Clerk, and County Sheriff have not yet designed a Disaster Recovery Plan over information systems operating within each office.

Cause of Condition: Policies and procedures have not been designed and implemented to address county-wide internal controls and to ensure all county offices have a Disaster Recovery Plan.

Effect of Condition: Without an adequate system of county-wide controls, there is a greater risk of a breakdown in control activities which could result in unrecorded transactions, undetected errors, or misappropriation of funds. Further, the lack of a Disaster Recovery Plan could also result in the loss of data, the unreliability of data and increase the risk that the County may not recover from an emergency and/or disaster in a timely manner.

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 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.

OSAI further recommends all officials have a formal Disaster Recovery Plan for their office in order to maintain operations in the event of a disaster.

Management Response:

District 1 County Commissioner: I will work with the other elected officials to implement quarterly meetings to address county-wide internal controls over Control Environment, Risk Assessment, Information and Communication, and Monitoring. Additionally, the County is working to ensure that all county offices have created and implemented a Disaster Recovery Plan.

District 2 County Commissioner: I was not in office during this fiscal year; however, I will work with other elected officials to implement policy and procedures to address county-wide internal controls over Control Environment, Risk Assessment, Information and Communication, and Monitoring. Additionally,

**OTTAWA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

the County is working to ensure that all county offices have created and implemented a Disaster Recovery Plan. District 2 is currently drafting a Disaster Recovery Plan.

District 3 County Commissioner: I did not take office until January 2023; however, Ottawa County District 3 has implemented a Disaster Recovery Plan. Additionally, I will work with other elected officials to implement policy and procedures like quarterly risk meetings to address county-wide internal controls over Control Environment, Risk Assessment, Information and Communication, and Monitoring.

County Assessor: My office now has a Disaster Recovery Plan.

Court Clerk: I have a Disaster Recovery Plan in place now.

County Sheriff: We have a Disaster Recovery Plan at this time.

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

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

Definition of Internal Control

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

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

Components, Principles, and Attributes

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

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

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.

**OTTAWA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Further, an important aspect of internal controls is the safeguarding of assets which includes adequate Disaster Recovery Plans. Internal controls over safeguarding of assets constitute a process, affected by an entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention in a county being unable to function in the event of a disaster.

According to the standards of the Information Systems Audit and Control Association (Cobit Delivery and Support 4), information services function management should ensure that a written Disaster Recovery Plan is documented and contains guidelines and instructions for the County to follow in the event of a disaster.

Finding 2020-006 - Lack of Internal Controls and Material Misstatement Over the Financial Statement (Repeat Finding – 2016-006, 2017-006, 2018-006, 2019-006)

Condition: The County is responsible for preparing their annual financial statement, notes to the financial statements, and supplemental information. The County hired an independent CPA firm to prepare these required financial documents for fiscal year 2020. However, there is no indication the fiscal year 2020 financial statement, notes to the financial statements, and supplemental information were reviewed and approved by County officials prior to being submitted to OSAI.

Additionally, during the review and reconciliations of the financial statement and notes to the financial statement, as initially prepared by the County, it was noted that the County's financial statement and notes to the financial statement were materially misstated as follows:

- Beginning fund balance was overstated by \$338,072.
- Ending fund balance was overstated by \$338,072.
- Disbursements were overstated by \$558,746.

Furthermore, Transfers In were overstated by \$6,146 and Transfers Out were understated by \$552,600.

Beginning and ending fund balances were overstated due to the County not carrying corrections made to the fiscal year 2017 financial statement to the fiscal year 2018, 2019, and 2020 financial statements. Disbursements were overstated due to the County incorrectly reporting disbursements as transfers and issuing \$558,430 in Emergency Transportation Revolving Fund loan payments from a County fund in error.

Cause of Condition Policies and procedures have not been designed and implemented to ensure the County's financial statement and notes to the financial statement, are prepared in a timely manner and are accurately presented. Additionally, policies and procedures have not been designed and implement to ensure all expenditures are supported by adequate documentation including itemized invoices from the vendor, prior to the issuance of payment.

Effect of Condition: These conditions resulted in:

- The financial statement and notes initially prepared by the County being misstated.
- The County presenting a revised financial statement and notes.

**OTTAWA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Recommendation: OSAI recommends the County design and implement policies and procedures to ensure that the County's financial statement and notes to the financial statement are free from error and are timely presented.

Management Response:

Chairman of the Board of County Commissioners/District 1 Commissioner: I will work with other elected officials to ensure that proper procedures are put in place to ensure that errors noted on the financial statement are corrected in a timely manner.

District 2 Commissioner: I was not in office during this fiscal year; however, I will work with the other elected officials to appoint someone to review the financial statements, after they are prepared by the Certified Public Accountant (CPA), to ensure the accuracy of statements.

District 3 Commissioner: I did not take office until January 2023; however, I will work with the other elected officials to implement better procedures to ensure financial statements are created timely and free of errors.

County Clerk: We will work to implement policies and procedures to ensure the financial statement and notes to the financial statement are free from error and are timely presented. We will review all expenditures to make sure they are supported by invoices.

County Treasurer: The County Treasurer is now reviewing the financial statement, which is being prepared by another company, to ensure the report is free from error and is timely presented.

Criteria: 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."

The County's management is responsible for establishing internal control procedures to prevent or detect misstatements in a timely manner. This includes preparation of the financial statements and accompanying notes to the financial statements in accordance with applicable accounting principles. Statement on Auditing Standards (SAS) No. 115 indicates that the County must have adequate knowledge and expertise to apply accounting principles to the financial statements or to review financial statements prepared on their behalf by others to ensure they are prepared in accordance with these principles. Professional audit standards preclude the external financial statement auditor from performing any part of management's control activities or be a component of the internal controls over financial reporting as this would impair their independence.

**OTTAWA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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 GAO Standards – Principle 13 – Use Quality Information states:

Data Processed into Quality Information

13.05 - Management processes the obtained data into quality information that supports the internal control system. This involves processing data into information and then evaluating the processed information so that it is quality information. Quality information meets the identified information requirements when relevant data from reliable sources are used. Quality information is appropriate, current, complete, accurate, accessible, and provided on a timely basis. Management considers these characteristics as well as the information processing objectives in evaluating processed information and makes revisions when necessary, so that the information is quality information.

13.06 - Management processes relevant data from reliable sources into quality information within the entity's information system. An information system is the people, processes, data, and technology that management organizes to obtain, communicate, or dispose of information. Management uses the quality information to make informed decisions and evaluate the entity's performance in achieving key objectives and addressing risks.

Finding 2020-008 - Lack of Internal Controls Over the Reconciliation of the Appropriation Ledger to the General Ledger (Repeat Finding - 2007-002, 2008-002, 2013-004, 2014-004, 2016-009, 2017-009, 2018-012, 2019-012)

Condition: The County Clerk did not perform a reconciliation of the appropriation ledger to the County Treasurer's general ledger on all county funds.

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

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

Recommendation: OSAI recommends the County Clerk reconciles the appropriation ledger to the County Treasurer's general ledger on a monthly basis. The reconciliation should be reviewed and approved by someone other than the preparer. All documentation to support the performance and review and approval of the reconciliation should be retained.

**OTTAWA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Management Response:

County Clerk: We now reconcile the appropriation ledger to the general ledger on a monthly basis.

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.

Finding 2020-009 - Lack of Internal Controls and Noncompliance Over Disbursements (Repeat Finding - 2018-013, 2019-013)

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

A sample of fifty-nine (59) out of five thousand seven hundred ninety-four (5,794) expenditures reflected the following:

- Three (3) disbursements totaling \$643,657 were not supported by an invoice; therefore, we could not determine if they were allowable expenditures of the County, were made for the appropriate amount, and were charged to the proper period.
- Six (6) expenditures totaling \$913,872 were not charged to the proper fund due to:
 - (3) three Emergency Transportation Revolving Fund loans totaling \$ 270,215 being paid from the County Bridge and Road Improvement fund, a county fund, instead of the Emergency Transportation Revolving Fund, a trust and agency fund.
 - (3) three expenditures totaling \$643,657 not being supported by an invoice.
- Eight (8) expenditures totaling \$1,429,235, which included (5) five expenditures for federal project and (3) three expenditures without invoices, were not encumbered prior to receiving goods or services.

Cause of Condition: Policies and procedures have not been fully implemented with regard to the disbursement process to ensure compliance with state statutes.

Effect of Condition: These conditions resulted in noncompliance with state statute and could result in unrecorded transactions, undetected errors, misappropriation of funds, and a financial burden on the County.

**OTTAWA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Recommendation: OSAI recommends that the County adhere to state purchasing guidelines to ensure the validity, allowability, and accuracy of all expenditures. OSAI also recommends:

- All expenditures are supported by adequate documentation to ensure:
 - The expenditure is a true expense of the County.
 - The appropriate amount is paid.
 - The expenditure is charged to the proper fund and account.
 - The expenditure is charged to the proper period.
- Encumbrances are made before goods and services are ordered to confirm availability of funds.
- All encumbrances are paid from funds designated for the purpose of the expenditure as required by state statutes or OSAI guidance.

Management Response:

District 1 County Commissioner: We will work to ensure that each office is utilizing the correct funds and accounts to encumber money from, funds are encumbered prior to the ordering of goods or services, and proper documentation to support the payment is obtained. I will work with the County Clerk's office to ensure that all disbursement documents are review for completeness and accuracy before going before the Board of County Commissioners (BOCC). The BOCC will then review each document for adequate documentation before approving during an open meeting. Additionally, I will recommend that we implement quarterly meetings with a representative from each department within the County, where we can discuss the importance of following state purchasing guidelines.

District 2 County Commissioner: I was not in office during this fiscal year; however, I will work with the other elected officials to ensure that we are in compliance with state statutes that govern the disbursement process.

District 3 County Commissioner: I did not take office until January 2023; however, I will work to implement better policies to ensure all purchasing guidelines are met.

County Clerk: We will work to adhere to state purchasing guidelines to ensure encumbrances are made before good and services are ordered; to ensure availability of funds. We will also work to ensure goods and services are paid from funds designated for use during the fiscal year they are obtained and that encumbrances are supported by adequate documentation. For the expenditures paid without invoice, we had drawdown documentation and assumed it would work for an invoice. We will make sure that documentation is not used again.

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

Objectives of an Entity – Compliance Objectives

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

**OTTAWA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

Title 68 O.S. § 3003 states in part, ... “The recipient government may encumber funds in an amount not to exceed the sum of the total letter of commitment, which is a binding commitment of funding which the recipient government will receive for the project or projects eligible for such federal funding. The encumbrance of funds authorized by this section shall be made in accordance with procedures prescribed by the State Auditor and Inspector and shall be administered in accordance with rules and regulations concerning such distribution adopted by the federal government and the state agency, board, or commission. Any expenditure incurred by the recipient government using the letter of commitment appropriation process and disallowed by the federal government or state agency, board, or commission administering the funds shall be paid by the recipient government.”

Title 74 O.S. § 214 states in part, “The State Auditor and Inspector shall prescribe a uniform system of bookkeeping for the use of all county officials to afford a suitable check upon their mutual acts and ensure a thorough inspection, and to ensure the safety of the state and county funds. He shall have full authority to prescribe a system of bookkeeping for all county officers which shall be in accordance with generally accepted accounting principles, as applied to governmental units, except when in conflict with Oklahoma Statutes, and when necessary, instruct, or cause to be instructed the state and county officers in the proper mode of keeping the accounts.”

Finding 2020-011 - Lack of Internal Controls Over the Payroll Process (Repeat Finding - 2003-001, 2007-009, 2008-009, 2009-002, 2012-001, 2013-002, 2014-002, 2015-002)

Condition: Upon inquiry and observation of the County’s payroll process, we noted the following:

- The County does not have an adequate segregation of duties to ensure that duties assigned to individuals are done so in a manner that would not allow one individual to control both the recording function and the procedures relative to the processing of a transaction.
- Timesheets are not submitted to and retained in the County Clerk’s office.
- The BOCC is signing the payroll affidavits thereby approving payroll; however, this approval is not done in an open meeting and is not recorded in the minutes of the BOCC.

Cause of Condition: Policies and procedures have not been designed and implemented over the payroll process.

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

Recommendation: OSAI recommends management be aware of these conditions and determine if duties can be properly segregated. In the event that segregation of duties is not possible due to limited personnel,

**OTTAWA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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.

OSAI also recommends all times records be submitted to and retained by the County Clerk's office to support payroll expenditures and to be accounted for as official documents of the County. OSAI further recommends all expenditures of the County be approved by the BOCC in an open meeting and the approval of such expenditures be reflected in the minutes of the meeting.

Management Response:

District 1 County Commissioner: Currently, payroll is approved during an open meeting of the BOCC, and the signed timesheets and all supporting documentation are held in the County Clerk's office.

District 2 County Commissioner: I was not in office during this fiscal year; however, steps have been taken to correct this issue and payroll is now approved in the BOCC meetings and District 2 sends signed employee timesheets to County Clerk's office in addition to maintaining records within the District 2 office.

District 3 County Commissioner: I did not take office until January 2023; however, District 3 submits all time calendars (same as timesheets) that are signed by the employee and supervisor to the County Clerk's office and the BOCC approves payroll in an open meeting and the minutes reflect such action.

County Clerk: We are now segregating duties for payroll. Three people in the office will deal with different steps of our payroll process.

County Treasurer: During this time period, no county offices were submitting time sheets to the County Clerk for payroll. After being made aware that we are required to by the Auditor's Office, it is now standard practice to do so.

County Assessor: We currently turn in timesheets with payroll to the County Clerk's office.

Court Clerk: Timesheets are now provided to the County Clerk's office since being notified that they needed them.

County Sheriff: I was not in office during this time; however, timesheets are now being turned in to the County Clerk's office in a timely manner.

Criteria: The GAO Standards – Principle 10 – Design Control Activities – 10.03 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.

**OTTAWA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Appropriate documentation of transactions and internal control

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.

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.

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.

Title 19 O.S. § 3 specifies that no one commissioner may enter into a contract or agreement or transact any business of county. Any contact or business transaction “done or attempted to be done, by an individual commissioner or commissioners, when not acting as a board shall ever be subject to ratification by the board of county commissioners, but shall be illegal, unlawful and wholly void.”

According to Title 19 O.S. §§ 284 and 286 the County Clerk is the official record keeper of the County, and all official records of the County should be filed with the County Clerk.

**OTTAWA COUNTY, OKLAHOMA
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Title 62 O.S. § 304.1 and 62 O.S. § 471, which provide guidance for the disbursement of public funds and the payment of personnel, require the board of county commissioners to approve the expenditure of all public funds.

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

Finding 2020-017 - Lack of County-Wide Controls Over Major Federal Program – Highway Planning and Construction (Repeat Finding - 2017-020, 2019-020)

FEDERAL AGENCY: U.S. Department of Transportation

FEDERAL PROGRAM CLUSTER: Highway Planning and Construction Cluster

ASSISTANCE LISTING: 20.205

FEDERAL PROGRAM NAME: Highway Planning and Construction

FEDERAL AWARD NUMBER: BIA – A13AC00042-Cayuga Road and A16AC00032-Stateline Road

FEDERAL AWARD YEAR: 2017

CONTROL CATEGORY: Activities Allowed or Unallowed; Allowable Costs/Costs Principles; Period of Performance; Procurement and Suspension and Debarment; Special Tests and Provisions.

QUESTIONED COSTS: \$-0-

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

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

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, misappropriation of funds, and noncompliance with grant requirements.

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

Management Response:

District 1 County Commissioner: I will work with other election officials to implement a system of internal controls to ensure compliance with all grant requirements.

District 2 County Commissioner: I was not in office in this fiscal year; however, I will work with other elected officials to implement a system of internal controls to ensure compliance with federal grant requirements.

**OTTAWA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

District 3 County Commissioner: I did not take office until January 2023; however, District 3 will work to better understand all grant requirements to ensure compliance.

County Clerk: We will work with the County Commissioners to implement a system of internal controls to ensure compliance with grant requirements.

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

Definition of Internal Control

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

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

Components, Principles, and Attributes

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

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

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

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

Furthermore, 2 CFR § 200.303 Internal Controls (a) reads as follows: The non-Federal entity must: Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Finding 2020-018 - Lack of Internal Controls Over Major Federal Program– Highway Planning and Construction (Repeat Finding – 2017-024, 2019-021)

FEDERAL AGENCY: U.S. Department of Transportation

FEDERAL PROGRAM CLUSTER: Highway Planning and Construction Cluster

**OTTAWA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

ASSISTANCE LISTING: 20.205

FEDERAL PROGRAM NAME: Highway Planning and Construction

FEDERAL AWARD NUMBER: BIA – A13AC00042-Cayuga Road and A16AC00032-Stateline Road

FEDERAL AWARD YEAR: 2017

CONTROL CATEGORY: Activities Allowed or Unallowed; Allowable Costs/Costs Principles; Period of Performance; Procurement and Suspension and Debarment; Special Tests and Provisions.

QUESTIONED COSTS: \$-0-

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

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

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

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

Management Response:

District 1 County Commissioner: I will work with other elected officials to implement a system of internal controls to ensure compliance with all grant requirements.

District 2 County Commissioner: I was not in office at the time of these findings; however, I will work with other elected officials to implement a system of internal controls to ensure compliance with federal grant requirements.

District 3 County Commissioner: I did not take office until January 2023; however, District 3 will work to better understand all requirements of federal programs and implement better procedures to follow all guidelines to ensure compliance.

County Clerk: We will work with the County Commissioners to ensure compliance with federal grant requirements.

Criteria: 2 CFR § 200.303(a) *Internal Controls* reads as follows:

The non-Federal entity must:

Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for

**OTTAWA COUNTY, OKLAHOMA
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Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

2 CFR § 213 states, “Non-federal entities are subject to the non-procurement debarment and suspension regulations implementing Executive Orders 12549 and 12689, 2 CFR part 180. These regulations restrict awards, subawards, and contracts with certain parties that are debarred, suspended, or otherwise excluded from or ineligible for participation in Federal assistance programs or activities.”

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

Objectives of an Entity – Compliance Objectives

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

**Finding 2020-019 - Lack of Internal Controls and Noncompliance with Compliance Requirements:
A – Activities Allowed or Unallowed and B – Allowable Costs/Costs Principles – Highway Planning
and Construction (Repeat Finding - 2019-022)**

FEDERAL AGENCY: U.S. Department of Transportation

FEDERAL PROGRAM CLUSTER: Highway Planning and Construction Cluster

ASSISTANCE LISTING: 20.205

FEDERAL PROGRAM NAME: Highway Planning and Construction

FEDERAL AWARD NUMBER: BIA – A13AC00042–Cayuga Road and A16AC00032–Stateline Road

FEDERAL AWARD YEAR: 2017

CONTROL CATEGORY: Activities Allowed or Unallowed; Allowable Costs/Costs Principles

QUESTIONED COSTS: \$989,434.94

Condition: Upon inquiry, review, and testwork of fourteen (14) or 100% of major program expenditures, the following exceptions were noted:

- Eight (8) invoices totaling \$989,434.94 could not be located.
- In addition to not being supported by an invoice, the County could not provide an approved, signed copy of purchase order 4709.

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

**OTTAWA COUNTY, OKLAHOMA
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Effect of Condition: This condition resulted in noncompliance with Federal grant requirements, a qualification of opinion on the County's compliance for major programs and could lead to the loss of Federal funds to the County.

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

Management Response:

District 1 County Commissioner: I will work with other elected officials to implement a system of internal controls to ensure compliance with all grant requirements.

District 2 County Commissioner: I was not in office during this fiscal year; however, I will work with other elected officials to gain understanding of requirements for this Federal program and to implement internal control procedures to ensure the county is in compliance with all requirements.

District 3 County Commissioner: I did not take office until January 2023; however, District 3 will work to better understand all requirements of federal programs and implement better procedures to follow all guidelines and ensure compliance.

County Clerk: We will work with all county officials to ensure compliance with federal grant requirements. For the expenditures paid without invoice, we had drawdown documentation and assumed it would work for an invoice. We will make sure that documentation is not used again.

Criteria: *2 CFR § 200.303(a) Internal Controls* reads as follows:

The non-Federal entity must:

Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

2 CFR § 200.84 Questioned Cost reads as follows:

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

(a) Which resulted from a violation or possible violation of a statute, regulation, or the terms and conditions of a Federal award, including for fund used to match Federal funds:

(b) Where the cost, at the time of the audit, are not supported by adequate documentation:

or (c) Where the costs incurred appear unreasonable and do not reflect the actions a prudent person would take in the circumstances.

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

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

**OTTAWA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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Additionally, 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.

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

Finding 2020-012 - Lack of Internal Controls and Noncompliance Over Cash Bonds (Repeat Finding)

Condition: Upon inquiry and observation, cash bond receipt books for fiscal year 2020 could not be located.

Cause of Condition: Policies and procedures have not been designed and implemented for proper administration regarding the receiving and depositing of cash bonds and the retention of all cash bond records.

Effect of Condition: This condition resulted in noncompliance with state statute and inaccurate and incomplete records. Additionally, this condition could result in the misappropriation of funds. Without cash bond receipt books, there is no way to determine that all cash bonds received were deposited with the County and paid out to the County Court Clerk or arresting agency as required by state statute.

Recommendation: OSAI recommends the County Sheriff design and implement policies and procedures to ensure all cash bonds are receipted, deposited, and remitted to the Court Clerk’s office in a timely manner and documentation supporting the receipt, deposit and remittance of cash bonds is retained.

Management Response:

County Sheriff: I was not in office during this time. Currently, cash bonds or money orders for bonds are being taken to the County Treasurer on a daily basis, if there are funds to take over. If cash or money orders come in over the weekend, they are taken to the Treasurer’s office on Monday. Our office will then write a check to the Court Clerk’s office for district charges or any municipality the bonds need to go to. Cash bond books are retained now.

**OTTAWA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

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.

Additionally, 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.

Title 51 O.S § 24A.4 states, “In addition to other records which are kept or maintained, every public body and public official has a specific duty to keep and maintain complete records of the receipt and expenditure of any public funds reflecting all financial and business transactions relating thereto, except that such records may be disposed of as provided by law.”

Finding 2020-2014 - Lack of Internal Controls and Noncompliance Over Inmate Trust Fund Checking Account, and Sheriff Commissary Fund (Repeat Finding)

Condition: Upon inquiry and observation of the Inmate Trust Fund Checking Account and Sheriff Commissary Fund, the following exceptions were noted:

Inmate Trust Fund Checking Account:

- Collections are not deposited in the bank on a daily basis.
- There are two Inmate Trust Fund Checking Accounts. Account #1 is an old account and account #2 is a new account for the new Inmate Commissary vendor.
 - Bank reconciliations were not performed on the Inmate Trust Fund Checking Account #1 in fiscal year 2020.
 - Bank reconciliation performed on Inmate Trust Fund Checking Account #2 were performed by the Inmate Commissary vendor and were not reviewed for accuracy or completeness by someone in the County Sheriff’s office.
 - Bank reconciliations performed on Inmate Trust Fund Checking Account #2 were inaccurate and incomplete.
- There is no oversight over the Inmate Trust Fund Checking Account bookkeeping processes to ensure completeness and accuracy for either Inmate Trust Fund Checking Account #1 or #2.

**OTTAWA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

- Policies and procedures have not been designed to track unclaimed funds.
- Expenditures are made from the Inmate Trust Fund Checking Account #2 for purposes other than what is statutorily allowed.

Sheriff Commissary Fund:

- All collections from the inmates for commissary purchases made by the inmate during his or her incarceration are not deposited into the Sheriff Commissary fund as required by state statute.
- The County Sheriff's office does not file an annual report for the Sheriff Commissary with the Board of County Commissioners by January 15th of each year.

Cause of Condition: Policies and procedures have not been designed and implemented for proper administration regarding the Inmate Trust Fund Checking Account and the Sheriff Commissary Fund.

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

Recommendation: OSAI recommends the County Sheriff implement procedures to ensure:

- Bank reconciliations are performed on all bank accounts on a monthly basis.
- Reconciliations denote proof of review and approval by someone other than the preparer.
- The individual inmate's trust fund balances are reconciled to the bank statements each month.
- Daily collections are deposited into the Inmate Trust Fund Checking Account on a daily basis.
- Unclaimed funds are tracked.
- Expenditures are made from the Inmate Trust Fund Checking Account in accordance with 19 O.S. § 531 (A).
- Collections from the inmates for commissary purchases and telephone usage are deposited in accordance with 19 O.S. § 180.43 (E) and 19 O.S. § 531 (A).
- The County Sheriff files a report of the commissary with the County Commissioners by January 15th of each year in accordance with 19 O.S. § 180.43 (D).

Management Response:

County Sheriff: I was not in office during this fiscal year. We have implemented the following to correct issues noted:

- When inmates are released, they are issued a debit card and not a check. The only time a check is written is when an inmate is transferred to a prison due to the prison not accepting debit cards. Any other expenditures that are made from the Inmate Trust Fund Checking Account are for purposes that are statutorily allowed.
- Deposits are now made on a daily basis unless it is after banking hours, in those cases the funds are locked in a safe, located in the office manager's office, which is also locked after hours, and taken to the bank the next business day.
- Bank reconciliations are now being done every month and are signed by the preparer and then reviewed, approved, and signed by someone other than the preparer.

**OTTAWA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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- Unclaimed funds are maintained in the Inmate Trust Fund Checking Account and can be tracked in the Inmate Trust Commissary vendor's system.
- All funds received from commissary purchases are now deposited into the Sheriff Commissary fund.

Additionally, until informed by OSAI, I was unaware that state statute required inmate telephone commissions to be deposited into the Sheriff Service Fee fund. Since becoming aware of this requirement, we will ensure these funds are deposited into the Sheriff Service Fee fund according to statute.

Furthermore, this administration is going to attempt to file a report of the commissary with the County Commissioners on a yearly basis.

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

Establishment of review of performance measurers and indicators

Management establishes physical control to secure and safeguard vulnerable assets. Examples include security for and limited access to assets such as cash, securities, inventories, and equipment that might be vulnerable to risk of loss or unauthorized use. Management periodically counts and compares such assets to control records.

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.

Additionally, 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.

**OTTAWA COUNTY, OKLAHOMA
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Furthermore, 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.

Title 19 O.S. § 180.43(D) requires that an annual report of the Sheriff’s Commissary be submitted to the Board of County Commissioners by January 15 of each year.

Title 19 O.S. § 180.43(E) states in part, “Each county sheriff may operate, or contract the operation of, a telephone system...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 Service Fee Account.”

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”... 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) provides guidance for the handling of unclaimed property or money in the County Sheriff’s possession.

APPENDIX A

CORRECTIVE ACTION PLAN

(Prepared by County Management)



OFFICE OF

Ottawa County Commissioners

COURT HOUSE — MIAMI, OKLAHOMA
(918) 542-9408

Corrective Action Plan in accordance with 2 CFR § 200.511c for the fiscal year ended June 30, 2020

Finding No.	Title (Financial) or Assistance Listing No. (formerly CFDA No.) & Program Name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2020-001	Lack of County-Wide Controls and Disaster Recovery Plans	The elected officials will work together to address county-wide internal controls over Risk Assessment, Information and Communication, and Monitoring. Additionally, the County is working to ensure that all county offices have created and implemented a Disaster Recovery Plan.	7/1/2023	Mike Furnas - Chairman
2020-006	Lack of Internal Controls over Financial Statement and Notes to the Financial Statement	The BOCC is working with the other elected officials to implement policies and procedures to ensure the accurate and timely reporting of the County's financial statements and notes to financial statement.	7/1/2023	Robyn Mitchell - County Clerk
2020-008	Lack of Internal Controls Over the Reconciliation of the Appropriation Ledger to the General Ledger	The appropriation ledger is reconciled to the general ledger monthly.	7/1/2023	Robyn Mitchell - County Clerk
2020-009	Lack of Internal Controls and Noncompliance Over Disbursement Process	The importance to comply with the state statutes that govern the disbursement process will be conveyed to all elected officials. Emphasis will be place on encumbering before goods and services are ordered, providing adequate documentation to support the amount of the purchase order, and paying for expenditures from funds designated for use during the fiscal year in which the goods or services are obtained.	7/1/2023	Robyn Mitchell - County Clerk
2020-011	Lack of Internal Controls Over the Payroll Process	Payroll processes in the County Clerk's office are now segregated, timesheets are now submitted to the County Clerk's office, and the BOCC no approves payroll in an open meeting.	7/1/2023	Robyn Mitchell - County Clerk

2020-017	20.205 Highway Planning and Construction	The County will work to design and implement a system of internal controls to ensure compliance with all applicable grant requirements.	7/1/2023	Mike Furnas-Chairman
2020-018	20.205 Highway Planning and Construction	The County will work to design and implement a system of internal controls to ensure compliance with all applicable grant requirements.	7/1/2023	Mike Furnas-Chairman
2020-019	20.205 Highway Planning and Construction	The County will work to design and implement a system to establish and maintain effective internal control over federal awarded funds. This includes compliance with federal statues, regulations, and terms and conditions of the federal award to meet requirements for this program.	7/1/2023	Mike Furnas-Chairman

APPENDIX B

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

(Prepared by County Management)



OFFICE OF

Ottawa County Commissioners

COURT HOUSE — MIAMI, OKLAHOMA
(918) 542-9408

Summary Schedule of Prior Audit Findings in accordance with 2 CFR § 200.511b for the fiscal year ended June 30, 2020

FINANCIAL AUDIT FINDINGS

Finding 2007-003, 2008-003, 2013-001, 2014-001, 2015-001, 2016-001, 2017-001, 2018-001, 2019-001

Lack of County-Wide Controls and Disaster Recovery Plans

Finding Summary: County-wide controls regarding Risk Management and Monitoring have not been designed.

Status: Not Corrected.

Finding 2016-006, 2017-006, 2018-006, 2019-006

Lack of Internal Controls Over the Financial Statement and Notes to the Financial Statement

Finding Summary: There is no indication the financial statement, notes to the financial statements, and supplemental information are reviewed for accuracy. The financial statements were materially misstated.

Status: Not Corrected.

Finding 2007-002, 2008-002, 2013-004, 2014-004, 2016-009, 2017-009, 2018-012, 2019-012

Lack of Internal Controls Over the Reconciliation of the Appropriation Ledger to the General Ledger

Finding Summary: The County Clerk's appropriation ledger is not reconciled to the County Treasurer's general ledger on a monthly basis.

Status: Not corrected.

Finding 2018-013, 2019-013

Lack of Internal Controls and Noncompliance Over Disbursement Process

Finding Summary: Three (3) disbursements totaling \$6,851 were not supported by adequate documentation – timesheets were not available. One (1) disbursement totaling \$40,072 was not charged to the proper period. Eight (8) disbursements totaling \$767,975 were not encumbered prior to receiving goods or services.

Status: Not corrected.

FEDERAL AUDIT FINDINGS

Finding 2017-020, 2019-020

Lack of County-Wide Controls Over Major Federal Programs – Highway Planning and Construction

Federal Agency: U.S. Department of Transportation

Assistance Listing No: 20.205

Federal Program Name: Highway Planning and Construction

Federal Grant Award Number: BIA – A13AC00042 and A16AC00032

Federal Award Year: 2017

Control Category: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Period of Performance;

Procurement and Suspension and Debarment; and Special Tests and Provisions.

Questioned Costs: \$-0-

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

Status: Not corrected.

Finding 2017-024, 2019-021

Lack of Internal Controls Over Major Federal Program – Highway Planning and Construction

Federal Agency: U.S. Department of Transportation

Assistance Listing No: 20.205

Federal Program Name: Highway Planning and Construction

Federal Grant Award Number: BIA – A13AC00042 and A16AC00032

Federal Award Year: 2017

Control Category: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Period of Performance; Procurement and Suspension and Debarment; and Special Tests and Provisions.

Questioned Costs: \$-0-

Finding Summary: Ottawa County has not established procedures to ensure compliance with the following compliance requirements: Activities Allowed or Unallowed; Allowable Costs/Costs Principles; Period of Performance; Procurement and Suspension and Debarment; Special Tests and Provisions.

Status: Not corrected.

Finding 2019-022

Noncompliance with Compliance Requirements: A – Activities Allowed or Unallowed and B – Allowable Costs/Costs Principles – Highway Planning and Construction

Federal Agency: U.S. Department of Transportation

Assistance Listing No: 20.205

Federal Program Name: Highway Planning and Construction

Federal Grant Award Number: BIA – A13AC00042 and A16AC00032

Federal Award Year: 2017

Control Category: Activities Allowed or Unallowed; Allowable Costs/Cost Principles

Questioned Costs: \$162,498

Finding Summary: One (1) invoice totaling \$150,910 could not be located. Five (5) right-of-way acquisitions totaling \$11,588 were not supported by adequate documentation.

Status: Not corrected.

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



Cindy Byrd, CPA | State Auditor & Inspector

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