



POTTAWATOMIE COUNTY

Financial Report

For the fiscal year ended June 30, 2021

Cindy Byrd, CPA
State Auditor & Inspector

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

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.



May 1, 2023

TO THE CITIZENS OF
POTTAWATOMIE COUNTY, OKLAHOMA

Transmitted herewith is the audit of Pottawatomie County, Oklahoma for the fiscal year ended June 30, 2021. The audit was conducted in accordance with 19 O.S. § 171.

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

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

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

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

Sincerely,

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

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

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

Board of County Commissioners

District 1 – Melissa Dennis
District 2 – Randy Thomas
District 3 – Eddie Stackhouse

County Assessor

Leona Satterfield

County Clerk

Raeshel Flewallen

County Sheriff

Michael Booth

County Treasurer

Wendy Magnus

Court Clerk

Valerie Ueltzen

District Attorney

Allen Grubb

**POTTAWATOMIE COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

TABLE OF CONTENTS

FINANCIAL SECTION

Report of State Auditor and Inspector 1

 Financial Statement:

 Statement of Receipts, Disbursements, and Changes in Cash Balances—Regulatory Basis 4

 Notes to the Financial Statement..... 5

SUPPLEMENTARY INFORMATION

 Comparative Schedule of Expenditures—Budget and Actual—Budgetary Basis—General Fund..... 12

 Comparative Schedule of Expenditures—Budget and Actual—Budgetary Basis—Health Fund..... 13

 Note to Supplementary Information..... 14

 Schedule of Expenditures of Federal Awards 15

 Notes to the Schedule of Expenditures of Federal Awards 16

INTERNAL CONTROL AND COMPLIANCE SECTION

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..... 17

Independent Auditor's Report on Compliance for Each Major Federal Program
and Report on Internal Control Over Compliance Required by the Uniform Guidance..... 19

**POTTAWATOMIE COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

INTERNAL CONTROL AND COMPLIANCE SECTION - CONTINUED

Schedule of Findings and Questioned Costs.....	22
Appendix A: Corrective Action Plan (Prepared by County Management).....	31
Appendix B: Summary Schedule of Prior Audit Findings (Prepared by County Management)	33

FINANCIAL SECTION



Independent Auditor's Report

TO THE OFFICERS OF
POTTAWATOMIE 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 Pottawatomie County, Oklahoma, as of and for the year ended June 30, 2021, and the related notes to the financial statement, which collectively comprise the County's basic financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the regulatory basis of accounting described in Note 1, and for determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

As described in Note 1, the financial statement is prepared by Pottawatomie 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 Pottawatomie County as of June 30, 2021, or changes in financial position for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the total receipts, disbursements, and changes in cash balances for all county funds of Pottawatomie County, as of and for the year ended June 30, 2021, in accordance with the basis of accounting described in Note 1.

Other Matters

Supplementary Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 3, 2023, on our consideration of Pottawatomie 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 Pottawatomie County's internal control over financial reporting and compliance.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

April 3, 2023

REGULATORY BASIS FINANCIAL STATEMENT

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

	Beginning Cash Balances July 1, 2020	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2021
County Funds:						
County General	\$ 1,765,620	\$ 5,736,859	\$ 500,000	\$ 500,000	\$ 5,159,911	\$ 2,342,568
County Highway Unrestricted	1,529,547	4,229,329	916,264	500,000	4,371,533	1,803,607
Health	1,232,719	1,098,219	-	-	683,195	1,647,743
Resale Property	694,707	584,535	-	-	697,320	581,922
Sheriff Service Fee	69,700	209,947	-	-	205,494	74,153
Road and Bridges Sales Tax	3,764,674	5,767,437	-	-	4,432,651	5,099,460
Rural Fire Sales Tax	1,556,674	758,845	-	-	507,524	1,807,995
Emergency Management Sales Tax	459,404	397,796	-	-	296,808	560,392
Economic Development Sales Tax	883,075	190,645	-	-	150,000	923,720
Extension Sales Tax	655,254	259,432	-	-	112,849	801,837
Soil Conservation Sales Tax	56,464	93,454	-	-	72,532	77,386
Fair Management Sales Tax	121,487	93,834	-	-	46,302	169,019
Senior Citizens Sales Tax	300,169	188,086	-	-	77,774	410,481
School District Sales Tax	5,430,522	4,582,643	-	-	3,652,208	6,360,957
Jail Sales Tax	130,808	1,863,667	-	-	1,809,922	184,553
Use Tax	11,133,275	2,674,643	-	-	1,319,078	12,488,840
County Sinking	46,764	-	-	-	-	46,764
County Bridge and Road Improvement	1,250,814	367,465	-	-	236,511	1,381,768
Rental of County Property	606,467	738,140	-	-	53,428	1,291,179
Assessor Revolving Fee	15,696	3,985	-	-	14,008	5,673
County Clerk Lien Fee	291,983	82,792	-	-	34,659	340,116
Treasurer Mortgage Certification	19,350	15,812	-	-	13,513	21,649
Child Abuse Prevention	17,919	448	-	-	-	18,367
County Clerk Records Management Preservation	276,738	164,230	-	-	36,757	404,211
911 Phone Fees	103,557	445,859	-	-	352,598	196,818
Reward Fund	5,465	325	-	-	-	5,790
VAWA Recovery Act	4,038	44,210	-	-	44,424	3,824
DA Justice Center	158,089	46,903	-	-	377	204,615
Court Clerk Payroll	4,106	141,480	-	-	141,092	4,494
Flood Plain	293	-	-	-	-	293
National Association of County and City Health Officials	7,500	5,000	-	-	7,488	5,012
Donations	217,048	257,878	-	-	36,303	438,623
VOCA	5	43,988	-	-	38,151	5,842
Covid Aid and Relief	-	1,103,375	-	-	184,613	918,762
Total - All County Funds	\$ 32,809,931	\$ 32,191,261	\$ 1,416,264	\$ 1,000,000	\$ 24,789,023	\$ 40,628,433

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

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

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

B. Fund Accounting

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

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

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

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

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

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

Sheriff Service Fee – accounts for the collection of fees and reimbursements for revenues such as process fees and disbursements as restricted by state statute.

Roads and Bridges Sales Tax – accounts for the collection of sales tax revenue to be disbursed for the maintenance, repair, and improvement of county roads and bridges.

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

Rural Fire Sales Tax – accounts for the collection of sales tax to be disbursed for the Pottawatomie County Fire Departments.

Emergency Management Sales Tax – accounts for the collection of sales tax to be disbursed for emergency services.

Economic Development Sales Tax – accounts for the collection of sales tax to be disbursed for economic development.

Extension Sales Tax – accounts for the collection of sales tax to be disbursed for the OSU Extension Center.

Soil Conservation Sales Tax – accounts for collection of sales tax to be disbursed for the operation of the Soil Conservation District.

Fair Management Sales Tax – accounts for the collection of sales tax to be disbursed for the Pottawatomie County Free Fair.

Senior Citizens Sales Tax – accounts for the collection of sales tax to be disbursed for the senior citizens.

School District Sales Tax – accounts for the collection of sales tax to be disbursed for the Schools.

Jail Sales Tax – accounts for the collection of sales tax to be disbursed for building and operating the county jail.

Use Tax – accounts for the collection of sales tax to be disbursed for capital improvements.

County Sinking – accounts for debt services receipts derived generally from a special ad valorem tax levy and from interest earned on investments of cash not immediately required for debt service payments.

County Bridge and Road Improvement – accounts for state receipts to be disbursed for the purpose of constructing and maintaining county roads and bridges.

Rental of County Property – accounts for the collections from the rental of county properties to be disbursed for the maintenance of county buildings.

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

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

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

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.

Child Abuse Prevention – accounts for monies from donated juror’s fees to be disbursed in accordance with state statute.

County Clerk Records Management Preservation – accounts for fees collected for instruments filed in the County Clerk’s office as restricted by statute for preservation of records.

911 Phone Fees – accounts for fees received to maintain the 911 system.

Reward Fund – accounts for fees received by the Court Clerk to pay littering rewards.

VAWA Recovery Act – accounts for grant monies to be disbursed as restricted by grant agreement.

DA Justice Center – accounts for the collection of sales tax to be disbursed for District Attorney Justice Center.

Court Clerk Payroll – accounts for the monies disbursed for payroll of the Court Clerk’s employees.

Flood Plain – accounts for the collection of permit fees to be disbursed for education and training of Flood Plain Management personnel.

National Association of County and City Health Officials – accounts for grant monies to be disbursed as restricted by grant agreement.

Donations – accounts for donations received and disbursed for the specific purpose of said donation.

VOCA – accounts for grant monies received and disbursed as restricted by grant agreement.

Covid Aid and Relief – accounts for federal monies received in response to COVID-19 to be disbursed in accordance with the Federal Guidelines.

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.

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

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.

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

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

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

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

C. Contingent Liabilities

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

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

D. Sales Tax

Sales Tax of August 26, 2008

The voters of Pottawatomie County approved a permanent one percent (1%) sales tax effective July 1, 2013. This sales tax was established to provide revenue for the support of various entities in the following proportion:

- 60% Maintenance, repair, and improvement of County roads and bridges
- 20% Construction, furnishing, operating, and maintaining the Pottawatomie County Public Safety Center jail facility operated by the County Public Safety Center Trust
- 7% Pottawatomie County Fire Departments
- 1.0625% Sheriff's Office Emergency Services
- 1.0625% County Ambulance Service
- 1.0625% County E-911 Service
- 1.0625% Additional County Emergency Services
- 2% Economic Development
- 2.75% OSU Extension Center
- 2% Senior Citizens
- 1% Soil Conservation Service
- 1% Pottawatomie County Free Fair/Junior Livestock Show

These funds will be accounted for in the following funds: Roads and Bridges Sales Tax, Rural Fire Sales Tax, Emergency Management Sales Tax, Economic Development Sales Tax, Extension Sales Tax, Soil Conservation Sales Tax, Fair Management Sales Tax, Senior Citizens Sales Tax, and Jail Sales Tax.

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

Sales Tax of November 10, 2015

The voters of Pottawatomie County approved a .495 cent sales tax effective July 1, 2016 with a duration of ten years. The sales tax was established for the purpose of providing funding for each of the fourteen (14) public school districts in Pottawatomie County and providing funding for a Pottawatomie County One Safe Place Family Justice Center in the following proportion:

- .49 cents for the Pottawatomie County Public School Districts
- .005 Cents for the Pottawatomie County One Safe Place Family Justice Center

The sales tax for the Pottawatomie County Public School Districts is apportioned based on the average daily attendance of each school. These funds are accounted for in the School District Sales Tax fund and expended for the following fourteen (14) different school districts: McCloud, Dale, Bethel, Macomb, Earlsboro, North Rock Creek, Grove, Pleasant Grove, South Rock Creek, Tecumseh, Shawnee, Asher, Wanette, Maud. The sales tax for the Pottawatomie County One Safe Place Justice Center is accounted for in the DA Justice Center fund.

E. Interfund Transfers

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

- \$500,000 was transferred from County Highway Unrestricted fund to County General fund by Board of County Commissioner resolution to fund operating expenses as allowed by 68 O.S. § 3021.
- \$500,000 was transferred from County General fund to County Highway Unrestricted fund to reimburse for operating expenses in accordance with 68 O.S. § 3021.
- \$416,264 was transferred from Emergency Transportation Revolving Fund (a Trust & Agency fund) to County Highway Unrestricted fund as a loan for a road project.

SUPPLEMENTARY INFORMATION

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

	General Fund		
	Budget	Actual	Variance
District Attorney - County	\$ 67,300	\$ 60,500	\$ 6,800
County Sheriff	1,383,368	1,334,623	48,745
County Treasurer	226,000	223,330	2,670
County Clerk	400,275	397,730	2,545
County Court Clerk	483,805	413,671	70,134
County Assessor	382,500	364,297	18,203
Visual Inspection	446,250	406,152	40,098
Juvenile Shelter/Bureau	45,000	33,918	11,082
General Government	2,158,077	1,609,938	548,139
Excise Equalization	4,000	3,850	150
Election Board	266,146	265,880	266
Charity	15,000	8,986	6,014
County Audit Budget	87,033	15,410	71,623
Free Fair	3,500	3,500	-
Community Service	30,000	29,157	843
Treasurer's School	35,000	34,620	380
Flood Plain	33,000	6,023	26,977
Total Expenditures, Budgetary Basis	\$ 6,066,254	\$ 5,211,585	\$ 854,669

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

	Health		
	Budget	Actual	Variance
Public Health	\$ 2,010,983	\$ 877,943	\$ 1,133,040
Total Expenditures, Budgetary Basis	\$ 2,010,983	\$ 877,943	\$ 1,133,040

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

1. Budgetary Schedules

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

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. DEPARTMENT OF JUSTICE			
Passed Through the Oklahoma District Attorneys Council:			
Crime Victim Assistance	16.575	2020-VOCA-POTTAWATOMIE CO-017	39,720
Violence Against Women Formula Grants	16.588	2020/21-VAWA- POTTAWATOMIE CO-00030	44,436
Edward Byrne Memorial Justice Assistance Grant Program	16.738	JAG-LLE-2020- POTTAWATOMIE CO-00006	9,952
Total U.S. Department of Justice			<u>94,108</u>
U.S. DEPARTMENT OF TRANSPORTATION			
Passed Through the Oklahoma Department of Transportation			
Highway Planning and Construction	20.205	STPY163C03290000RW	19
Passed Through the Oklahoma Highway Safety Office			
State and Community Highway Safety	20.600	PT 20 3910 & PT 21 32411	24,851
Total U.S. Department of Transportation			<u>24,870</u>
U.S. DEPARTMENT OF TREASURY			
Passed Through the Oklahoma Office of Management and Enterprise Services:			
COVID-19 Coronavirus Relief Fund	21.019	SA-2590	1,103,375
Total U.S. Department of Treasury			<u>1,103,375</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed Through the Oklahoma Department of Emergency Management:			
Disaster Grant - Public Assistance (Presidentially Declared Disasters)	97.036	DR 4575	47,634
Disaster Grant - Public Assistance (Presidentially Declared Disasters)	97.036	DR 4438	85,554
Total U.S. Department of Homeland Security			<u>133,188</u>
Total Expenditures of Federal Awards			<u>\$ 1,355,541</u>

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

Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of Pottawatomie County 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

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

Eligible Expenditures Incurred in the Prior Fiscal Year

On March 27, 2020, the President of the United States signed the Coronavirus Aid, Relief, and Economic Security (CARES) Act into law. Pottawatomie County received \$1,103,375 in federal relief funds. The County incurred \$673,134 in eligible expenditures in the prior year ending June 30, 2020. These eligible expenditures were from March 1, 2020, through June 30, 2020, and were accounted for in the County's June 30, 2020, financial statements. Therefore, expenditures on the schedule of expenditures of federal awards for Assistance Listing Number (ALN) 21.019 – Coronavirus Relief Fund will include \$673,134 in eligible expenditures incurred in the fiscal year ending June 30, 2020, and \$218,746 in eligible expenditures that were incurred in the fiscal year ending June 30, 2021. There were \$ 211,495 questioned costs that were unallowable federal expenditures, which makes the total expenditures reported on the schedule of federal awards as \$1,103,375.

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
POTTAWATOMIE 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 Pottawatomie County, Oklahoma, as of and for the year ended June 30, 2021, and the related notes to the financial statement, which collectively comprise Pottawatomie County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated April 3, 2023.

Our report included an adverse opinion on the financial statement because the statement is prepared using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County as of and for the year ended June 30, 2021, on the basis of accounting prescribed by Oklahoma state law, described in Note 1.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered Pottawatomie 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 Pottawatomie County's internal control. Accordingly, we do not express an opinion on the effectiveness of Pottawatomie County's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses: 2021-001.

Compliance and Other Matters

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

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

Pottawatomie County's Response to Findings

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

April 3, 2023



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

TO THE OFFICERS OF
POTTAWATOMIE COUNTY, OKLAHOMA

Report on Compliance for Each Major Federal Program

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

Basis for Qualified Opinion on Coronavirus Relief Fund

As described in Finding 2021-012 in the accompanying schedule of findings and questioned costs, Pottawatomie County did not comply with requirements regarding the following:

Finding #	Assistance Listing	Program (or Cluster) Name	Compliance Requirement
2021-012	20.019	Coronavirus Relief Fund	Activities Allowed or Unallowed

2021-012	20.019	Coronavirus Relief Fund	Allowable Costs/Cost Principles
----------	--------	-------------------------	---------------------------------

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

Qualified Opinion on COVID-19 Coronavirus Relief Fund

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Pottawatomie County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Coronavirus Relief Fund for the year ended June 30, 2021.

Other Matters

Pottawatomie County’s response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Pottawatomie 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 Pottawatomie 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 Pottawatomie 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 Pottawatomie County’s internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2021-010, 2021-011 and 2021-012 that we consider to be material weaknesses.

Pottawatomie County's Response to Findings

Pottawatomie 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. Pottawatomie 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

April 3, 2023

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

SECTION 1—Summary of Auditor’s Results

Financial Statements

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

Internal control over financial reporting:

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

Noncompliance material to the financial statement noted? No

Federal Awards

Internal control over major programs:

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

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

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>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
21.019	Coronavirus Relief Fund

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

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

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

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

Finding 2021-001 – County-Wide Internal Controls and Disaster Recovery Plans (Repeat Finding 2011-001, 2012-001, 2013-001, 2014-001, 2018-001, 2019-001, 2020-001)

Condition: Through the process of gaining an understanding of the County’s internal control structure, it was noted that county-wide controls regarding Risk Assessment and Monitoring have not been designed. Further, we noted the offices of Commissioner Districts 1, 2, and 3, the County Sheriff, and the County Assessor have not designed a written Disaster Recovery Plan for their specific offices.

Cause of Condition: Policies and procedures have not been designed and implemented to address the risks of the County and to ensure that all offices have filed a Disaster Recovery Plan.

Effect of Condition: Without an adequate system of county-wide controls, there is greater risk of a breakdown in control activities which could result in unrecorded transactions, undetected errors, or misappropriation of funds.

Recommendation: The Oklahoma State Auditor & Inspector’s Office (OSAI) recommends that the County design and implement a system of county-wide procedures to identify and address risks related to financial reporting and to ensure that information is communicated effectively. OSAI also recommends that the County design and implement monitoring procedures to assess the quality of performance over time. These procedures should be written policies and procedures and could be included in the County’s policies and procedures handbook. Further, we recommend that all offices complete and file a written Disaster Recovery Plan with the County Clerk.

Management Response:

Chairman of the Board of County Commissioners: During quarterly Risk Assessment meetings, we will work to document the assessment and identification of risks and monitor control activities. Further, we will work to design written county-wide controls.

County Sheriff: I will prepare a written Disaster Recovery Plan.

Commissioner District 1: I will prepare a written Disaster Recovery Plan.

Commissioner District 2: I will prepare a written Disaster Recovery Plan.

Commissioner District 3: I will prepare a written Disaster Recovery Plan.

County Assessor: I have updated the Disaster Recovery Plan for my office and filed it with the County Clerk.

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

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.

Further, according to the standards of the Information Systems Audit and Control Association (CobiT, Deliver and Support Ds5), 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.

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

Finding 2021-010 – Lack of County-Wide Internal Controls Over Major Federal Program – Coronavirus Relief Fund

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

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

FEDERAL AGENCY: U.S. Department of Treasury

ASSISTANCE LISTINGS NO: 21.019

FEDERAL PROGRAM NAME: Coronavirus Relief Fund

FEDERAL AWARD YEAR: 2021

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

QUESTIONED COSTS: \$-0-

Condition: 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 complies with grant requirements.

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

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

Management Response:

Chairman of the Board of County Commissioners: We will work to implement a risk assessment plan. We will implement controls to help make sure we are in compliance with all grant requirements and federal funds are expended in accordance with grant agreements and in a timely manner. We will ensure employees have the current and correct compliance supplement to work from.

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.

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

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

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

Finding 2021-011 – Lack of Internal Controls Over Major Federal Program – Coronavirus Relief Fund

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

FEDERAL AGENCY: U.S. Department of Treasury

ASSISTANCE LISTINGS NO: 21.019

FEDERAL PROGRAM NAME: Coronavirus Relief Fund

FEDERAL AWARD YEAR: 2021

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

QUESTIONED COSTS: \$-0-

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

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

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

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

Management Response:

Chairman of the Board of County Commissioners: The Board of County Commissioners will work with all County Officials to go over all grants and federal monies that Pottawatomie County receives to ensure that proper internal controls are implemented.

Criteria: *OMB 2 CFR 200, Subpart D. § .303(a)* reads as follows:

Subpart D-Post Federal Award Requirements

§200.303 Internal Controls

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

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

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).

Further, accountability and stewardship should be overall goals in management's accounting of federal funds. Internal controls should be designed to monitor compliance with laws and regulations pertaining to grant contracts.

Finding 2021-012 – Lack of Internal Control and Noncompliance Over Major Federal Program – Activities Allowed or Unallowed and Allowable Costs/Cost Principles – Coronavirus Relief Fund

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

FEDERAL AGENCY: United States Treasury

ASSISTANCE LISTINGS NO: 21.019

FEDERAL PROGRAM NAME: Coronavirus Relief Fund

FEDERAL AWARD YEAR: 2021

CONTROL CATEGORY: Activities Allowed or Unallowed and Allowable Costs/Cost Principles

QUESTIONED COSTS: \$211,495

Condition: A test of 100% of expenditures reflected program disbursements totaling \$211,495 that were not expended in accordance with the Activities Allowed or Unallowed and Allowable Costs/Cost Principles due to ineligible costs.

- The County was reimbursed \$211,495, for General Government payroll expenditures for the commissioners’ office, for the period March 13, 2020, through August 31, 2020, which was determined to be an unallowable cost to mitigate or prevent the spread of COVID-19 in accordance with grant requirements.
- The County relied on the Oklahoma Office of Management and Enterprise Services to ensure that the County reimbursement request was for eligible expenditures.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure that the County has proper internal controls over federal grant expenditures and that the expenditures were for an allowable cost.

Effect of Condition: This condition resulted in noncompliance with grant requirements. This could hinder the County from receiving future federal funding. Further, this could result in the repayment of grant funds to the grantor agency.

Recommendation: OSAI recommends the County design and implement policies and procedures to ensure compliance with applicable grant requirements.

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

Management Response:

Chairman of the Board of County Commissioners: We will work to ensure federal disbursements comply with federal grant requirements.

Criteria: 42 United States Code § 801 – Coronavirus relief fund Section 601(d) requires the States, Tribal governments, or units of local government use the funds received to cover only those costs that (1) are necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19); (2) were not accounted for in the budget most recently approved as of March 27, 2020, for the State or government; and (3) were incurred during the period that begins on March 1, 2020, and ends on December 30, 2020.

Additionally, CFR § 200.300-Internal Controls states in part,

The Non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the nonfederal 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 § 200.403 - Factors affecting allowability costs states in part,

Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

(g) Be adequately documented.

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

Finding 2021-009 - Lack of Internal Controls Over the Collection of Fees for Oklahoma Medical Marijuana Compliance Certificates

Condition: During our review of the receipting process, the following was noted:

- Fees collected for processing the Oklahoma Medical Marijuana Compliance Certificates in the amount of \$418,000 were not expressly authorized by state statute.
- Fees collected are in addition to the fees set by the Oklahoma Medical Marijuana Authority.
- A fee schedule determining the cost to provide this service was not provided to auditors.

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

Cause of Condition: Policies and procedures have not been designed and implemented to ensure fees collected by the County are statutorily authorized and to document a fee schedule determining the cost to provide this service for the collection of the Oklahoma Medical Marijuana Compliance fee.

Effect of Condition: This condition resulted in the collection of fees that were not statutorily authorized and could result in inaccurate records, incomplete information, or in misappropriation of assets.

Recommendation: OSAI recommends management take steps to ensure all fees collected by the County are authorized by state statute.

Management Response:

Chairman of the Board of County Commissioners: Pottawatomie County was acting on advice from the District Attorney to charge the compliance fee.

Auditor Response: Although the compliance fee charged was approved by the District Attorney, the compliance fee is not expressly authorized by state statute.

Criteria: Attorney General Opinion 2012 OK AG 10, §2 and 3, states in part: that the Board of County Commissioners has the express power to adopt rules, regulations and conditions and assess a fee, however the fees shall not be used as a revenue-generating measure.

Supreme Court's ruling 1917 OK 447, ¶6 states in part: "*The imposition of license fees, having for their purpose the better regulation and control of such occupations, or the use of certain property, is valid as coming within the proper exercise of the police power when they are imposed not for the purpose of obtaining a revenue but for the ostensible one.*"

Supreme Court's ruling 1979 OK 48, ¶6 states in part: "*The amount of such permit or license fee exacted for the purpose of regulation must be limited to the necessary or probable expenses of issuing the licenses and the necessary supervision and regulation of the business so licensed. Otherwise, the ordinance will be regarded as a revenue measure and will be void as a regulation under its police power.*"

Additionally, The GAO Standards – Principle 1 – Demonstrate Commitment to Integrity and Ethical Values: 1.04 states in part:

Tone at the Top

The oversight body and management reinforce the commitment to doing what is right, not just maintaining a minimum level of performance necessary to comply with applicable laws and regulations, so that these priorities are understood by all stakeholders, such as regulators, employees, and the general public.

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

GAO Standards – Principle 2 – Exercise Oversight Responsibility: 2.02 states in part:

Oversight Structure

The entity determines an oversight structure to fulfill responsibilities set forth by applicable laws and regulations, relevant government guidance, and feedback from key stakeholders.

GAO Standards – Principle 6 – Define Objectives and Risk Tolerances: 6.05 states in part:

Definitions of Objectives

Management considers external requirements and internal expectations when defining objectives to enable the design of internal control. Legislators, regulators, and standard-setting bodies set external requirements by establishing the laws, regulations, and standards with which the entity is required to comply.

APPENDIX A

CORRECTIVE ACTION PLAN

(Prepared by County Management)



**Corrective Action Plan
in accordance with 2 CFR § 200.511c
for the fiscal year ended June 30, 2021**

Finding Number	Title (Financial) or Assistance Listings No. & Program Name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2021-001	County-Wide Internal Controls and Disaster Recovery Plans	The Board of County Commissioners will work to hold quarterly meetings with all County Officials to assess and identify risks to establish county-wide internal controls. We will ensure that all offices have a disaster recovery plan on file with the County.	11/01/2022	Eddie Stackhouse, BOCC Chairman
2021-010	Assistance Listings Number 21.019 Coronavirus Relief Fund	We will work to implement a risk assessment plan. We will implement controls to help make sure we are in compliance with all grant requirements and federal funds are expended in accordance with grant agreements and in a timely manner. We will ensure employees have the current and correct compliance supplement to work from.	11/01/2022	Eddie Stackhouse, BOCC Chairman
2021-011	Assistance Listings Number 21.019 Coronavirus Relief Fund	The Board of County Commissioners will work with all County Officials to go over all grants and federal monies that the County receives to ensure that proper internal controls are implemented.	11/01/2022	Eddie Stackhouse, BOCC Chairman
2021-012	Assistance Listings Number 21.019 Coronavirus Relief Fund	The Board of County Commissioners will work to ensure that all federal disbursements comply with federal grant requirements.	11/01/2022	Eddie Stackhouse, BOCC Chairman

APPENDIX B

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

(Prepared by County Management)



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

FINANCIAL AUDIT FINDINGS

Finding 2011-001, 2012-001, 2013-001, 2014-001, 2015-001, 2018-001, 2019-001, 2020-001

Lack of County-Wide Internal Controls

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

Status: No Corrective Action Taken.

Finding 2011-003, 2012-003, 2013-005, 2014-005

Lack of Internal Controls and Noncompliance Over the Disbursement Process

Finding Summary: The duties of processing payroll are not adequately segregated. The County Clerk/Payroll Clerk enrolls new hires, makes payroll changes, maintains personnel files, and prepares end of month payroll reports. While testing 66 total disbursements, including two individually significant items, we noted the following: 55 purchase orders had signatures indicating the BOCC approval, but no date of the approval on the purchase orders; 3 purchase orders did not have adequate documentation attached (receiving reports); 12 blanket purchase orders did not have the blanket purchase order certification section completed; 4 purchase orders were not timely encumbered; 1 purchase order was not signed by majority of the Board of County Commissioners. Additionally, the County is remitting the sales tax to the Pottawatomie County Public Safety Center Trust on purchase orders without documentation of how the funds are expended.

Status: Fully Corrected.

FEDERAL AUDIT FINDINGS

Finding 2011-9 – County-Wide Controls Over Major Programs – BIA

Pass-Through Grantor: Bureau of Indian Affairs

Federal Agency: U.S. Department of Transportation

CFDA No: 20.205

Federal Program Name: ARRA - Highway Planning and Construction

Federal Award Number: RAC00310008

Federal Award Year: 2011

Control Category: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Davis-Bacon Act; Matching; Period of Availability of Federal Funds; Procurement and Suspension and Debarment, and Reporting.

Questioned Costs: \$-0-

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

Status: Management does not feel this finding warrants further action because two years have passed since the audit report was submitted to the Federal clearinghouse, the Federal agency or pass-through entity is not currently following up with the County regarding this finding, and a management decision has not been issued.



Finding 2011-10 – County-Wide Controls Over Major Programs – BIA

Pass-Through Grantor: Bureau of Indian Affairs

Federal Agency: U.S. Department of Transportation

CFDA No: 20.205

Federal Program Name: ARRA - Highway Planning and Construction

Federal Award Number: RAC00310008

Federal Award Year: 2011

Control Category: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Davis-Bacon Act; Matching; Period of Availability of Federal Funds; Procurement and Suspension and Debarment, and Reporting.

Questioned Costs: \$-0-

Finding Summary: The County has not established procedures to ensure compliance with the following compliance requirements: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Davis-Bacon Act; Matching; Period of Availability of Federal Funds; Procurement and Suspension and Debarment, and Reporting.

Status: Management does not feel this finding warrants further action because two years have passed since the audit report was submitted to the Federal clearinghouse, the Federal agency or pass-through entity is not currently following up with the County regarding this finding, and a management decision has not been issued.

Finding 2014-007

Lack of County-Wide Internal Controls Over Major Federal Program – FEMA

Pass-Through Grantor: Oklahoma Department of Emergency Management

Federal Agency: U.S. Department of Homeland Security

Assistance Listings No: 97.036

Federal Program Name: Disaster Grants – Public Assistance (Presidentially Declared Disasters)

Federal Award Number: DR-4117

Federal Award Year: 2013

Control Category: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort, Earmarking; Period of Availability of Federal Funds; Procurement and Suspension and Debarment; and Special Tests and Provisions.

Questioned Costs: \$-0-

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

Status: Management does not feel this finding warrants further action because two years have passed since the audit report was submitted to the Federal clearinghouse, the Federal agency or pass-through entity is not currently following up with the County regarding this finding, and a management decision has not been issued.

Finding 2014-008

Lack of Internal Controls Over Major Federal Program – FEMA

Pass-Through Grantor: Oklahoma Department of Emergency Management

Federal Agency: U.S. Department of Homeland Security

Assistance Listings No: 97.036

Federal Program Name: Disaster Grants – Public Assistance (Presidentially Declared Disasters)

Federal Award Year: 2013

Control Category: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort, Earmarking; Period of Availability of Federal Funds; Procurement and Suspension and Debarment; and Special Tests and Provisions.



Questioned Costs: \$-0-

Finding Summary: The County has not established procedures to ensure compliance with the following compliance requirements: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort, Earmarking; Period of Availability of Federal Funds; Procurement and Suspension and Debarment; and Special Tests and Provisions.

Status: Management does not feel this finding warrants further action because two years have passed since the audit report was submitted to the Federal clearinghouse, the Federal agency or pass-through entity is not currently following up with the County regarding this finding, and a management decision has not been issued.

O·K·L·A·H·O·M·A
SAI
STATE AUDITOR & INSPECTOR



Cindy Byrd, CPA | State Auditor & Inspector

2300 N. Lincoln Blvd., Room 123, Oklahoma City, OK 73105 | 405.521.3495 | www.sai.ok.gov