



DELAWARE COUNTY

Financial Report

For the fiscal year ended June 30, 2021

Cindy Byrd, CPA
State Auditor & Inspector

**DELAWARE 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.



February 14, 2024

TO THE CITIZENS OF
DELAWARE COUNTY, OKLAHOMA

Transmitted herewith is the audit of Delaware 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

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

Board of County Commissioners

District 1 – David Poindexter

District 2 – Jake Callihan

District 3 – Martin Kirk

County Assessor

Larena Ellis Cook

County Clerk

Barbara Barnes

County Sheriff

Mark Berry

County Treasurer

Susan Duncan

Court Clerk

Caroline Weaver

District Attorney

Kenny Wright

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

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FINANCIAL SECTION



Independent Auditor's Report

TO THE OFFICERS OF
DELAWARE 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 Delaware 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 Delaware 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 Delaware 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 Delaware 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 February 6, 2024, on our consideration of Delaware 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 Delaware County's internal control over financial reporting and compliance.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

February 6, 2024

REGULATORY BASIS FINANCIAL STATEMENT

DELAWARE 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	\$ 1,406,726	\$ 6,008,306	\$ 1,165,469	\$ 1,152,500	\$ 5,327,452	\$ 2,100,549
County Highway Unrestricted	1,399,487	3,435,460	63,609	-	2,889,290	2,009,266
Health	1,717,989	950,546	-	-	552,274	2,116,261
County Bridge and Road Improvement	1,146,707	613,737	-	291,109	864,210	605,125
Courthouse Maintenance-ST	37,006	90	-	-	-	37,096
Judgment Debt-ST	-	2,357,007	-	-	2,115,970	241,037
Solid Waste Management-ST	-	2,310,363	-	-	2,310,363	-
Assessor Revolving Fee	3,917	1,770	-	-	-	5,687
County Clerk Lien Fee	19,683	20,516	-	-	366	39,833
County Clerk Records Management and Preservation	214,821	136,100	-	-	62,242	288,679
County Donations	26,545	155,220	-	-	72,082	109,683
Court Clerk Payroll	5,122	247,115	-	-	246,212	6,025
Emergency Management	19,617	15,320	2,500	-	22,452	14,985
Local Emergency Planning Committee	268	-	-	-	-	268
Rural Fire-ST	2,834,027	1,920,815	-	-	1,225,853	3,528,989
Flood Plain	868	500	-	-	-	1,368
Sheriff Commissary	48,149	126,944	-	-	91,203	83,890
Sheriff Service Fee	148,810	427,325	-	-	287,009	289,126
Sheriff Forfeiture	15,631	233	-	-	89	15,775
S.T.O.P. (Services, Training, Officers, and Prosecutors) Violence Against Women Act	5	-	-	-	-	5
Sheriff Training	4,070	-	-	-	2,130	1,940
Reward Fund	195	-	-	-	-	195
Treasurer Mortgage Certification	73,868	12,570	-	-	2,575	83,863
Resale Property	733,692	530,286	400,000	400,000	351,007	912,971
Use Tax-ST	1,764,050	1,104,514	750,000	750,000	57,797	2,810,767
Delaware County Economic Development Authority-ST	-	83,959	-	-	71,343	12,616
Rural Water District #11 CDBG	8,450	-	-	-	-	8,450
Department of Justice Grant	-	10,616	-	-	10,616	-
COVID Aid and Relief	-	2,116,344	-	15,469	168,779	1,932,096
American Rescue Plan Act 2021	-	4,176,997	-	-	-	4,176,997
Total - All County Funds	\$ 11,629,703	\$ 26,762,653	\$ 2,381,578	\$ 2,609,078	\$ 16,731,314	\$ 21,433,542

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

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

1. Summary of Significant Accounting Policies

A. Reporting Entity

Delaware 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, 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.

County Bridge and Road Improvement – accounts for collections from the State of Oklahoma to be disbursed for the purpose of maintaining bridges and roads.

Courthouse Maintenance-ST – accounts for monies held from an expired county sales tax and disbursed for improvements of the courthouse.

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

Judgment Debt-ST – accounts for the collection of sales tax monies for the purpose of paying the judgement against the County.

Solid Waste Management-ST – accounts for the collection of sales tax monies to be disbursed for providing solid waste services for the County.

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 disbursements as restricted by state statute.

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

County Donations – accounts for the collection of donations and disbursement of funds as specified by the approved Board of County Commissioners' resolution.

Court Clerk Payroll – accounts for monies received from Court Clerk's Court Fund to be disbursed for the payroll to Court Clerk employees.

Emergency Management – accounts for the receipt and disbursement of funds from federal, state, and local governments for the operations of the Emergency Management office.

Local Emergency Planning Committee – accounts for grant monies received and the disbursement of funds for emergency planning, training, and equipment.

Rural Fire-ST – accounts for the collection of sales tax monies to be disbursed for the maintenance and operations of the following rural fire departments: Bernice, Butler, Cleora, Colcord, Cowskin, Eucha, Flint Ridge, Grove, Hickory Grove, Jay, Kansas, Kenwood, Lakemont Shores, Leach, Monkey Island, Oaks, Tia Juana, Tiff City, West Siloam Springs, and Zena.

Flood Plain – accounts for revenues from fees collected from flood plain permits and map charges to be disbursed for flood planning operations.

Sheriff Commissary – accounts for collections from commissary sales to inmates in the jail and disbursements ore for operations of the jail restricted by state statute.

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

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

Sheriff Forfeiture – accounts for funds collected from forfeitures to be used for the intervention and prevention of narcotic use.

S.T.O.P. (Services, Training, Officers, and Prosecutors) Violence Against Women Act – accounts for federal grant monies received and disbursements as restricted by the grant agreement.

Sheriff Training – accounts for collections from seized monies forfeited in drug cases and disbursements are for lodging and travel expenses incurred during officer training.

Reward Fund – accounts for monies received from donations and disbursements for information that leads to the capture of those illegally dumping trash.

Treasurer Mortgage Certification – accounts for the collection of fees by the Treasurer for mortgage tax certificates to be disbursed as restricted by state statute.

Resale Property – accounts for the collection of interest and penalties on delinquent ad valorem taxes to be disbursed as restricted by state statute.

Use Tax-ST – accounts for the receipt of use tax from the Oklahoma Tax Commission and disbursed for the general operation of the County.

Delaware County Economic Development Authority-ST – accounts for sales tax revenue to be paid to the Shangri-La Resort/TIF District.

Rural Water District #11 CDBG – accounts for the receipt of federal funds to be disbursed in accordance grant guidelines for construction and repair of the water district.

Department of Justice Grant – accounts for federal grant monies received and disbursements as restricted by the grant agreement.

COVID Aid and Relief – accounts for federal grant monies received from the Coronavirus Relief Fund for the reimbursement of COVID related expenditures.

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

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

health emergency, and investments in water, sewer, and broadband infrastructure as restricted by federal requirements.

C. Basis of Accounting

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

Title 19 O.S. § 171 allows Oklahoma counties to present their financial statement in accordance with 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

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

pledged is established by the County Treasurer; this amount must be at least the amount of the deposit to be secured, less the amount insured (by, for example, the FDIC).

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

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

2. Ad Valorem Tax

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

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

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

3. Other Information

A. Pension Plan

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

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

the provisions of the Plan. OPERS issues a publicly available financial report that includes financial statements and supplementary information. That report may be obtained by writing OPERS, P.O. Box 53007, Oklahoma City, Oklahoma 73105 or by calling 1-800-733-9008.

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

B. Other Post Employment Benefits (OPEB)

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

C. Contingent Liabilities

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

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

D. Sales Tax

Sales Tax of March 8, 1988

The voters of Delaware County approved a permanent county sales tax of one-half of one percent (1/2%) on March 8, 1988. This sales tax was established to provide revenue to be used for the acquisition, establishment, and operation of solid waste services for the people of Delaware County. These funds are accounted for in the Solid Waste Management-ST fund.

Sales Tax of May 8, 2001

On May 8, 2001, the voters of Delaware County approved a four-tenths of one percent (0.4%) permanent sales tax. This sales tax was established for the purpose of constructing or improving fire stations, purchase of equipment, training, education, and general maintenance and operation of nineteen (19) fire departments in Delaware County, Oklahoma. The Delaware Board of County Commissioners (BOCC) passed a resolution on October 28, 2002 to add Butler Fire Department

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

and that the monthly income of the sales tax was to be divided equally between the following twenty (20) fire departments:

- | | |
|----------------------------------|---|
| 1. Bernice Fire Department | 11. Kansas Fire Department |
| 2. Butler Fire Department | 12. Kenwood Fire Department |
| 3. Cleora Fire Department | 13. Lakemont Shores Fire Department |
| 4. Colcord Fire Department | 14. Leach Fire Department |
| 5. Cowskin Fire Department | 15. Monkey Island Fire Department |
| 6. Eucha Fire Department | 16. Oaks Fire Department |
| 7. Flint Ridge Fire Department | 17. Tia Juana Fire Department |
| 8. Grove Fire Department | 18. Tiff City Fire Department |
| 9. Hickory Grove Fire Department | 19. West Siloam Springs Fire Department |
| 10. Jay Fire Department | 20. Zena Fire Department |

These funds are accounted for in the Rural Fire-ST fund.

Sales Tax TIF District of June 30, 2008

On June 30, 2008, Grand Lake Economic Development Authority and Delaware County adopted a TIF (Tax Increment Financing) District for the purpose of “reversing the conditions of arrested economic development which occurred as a consequence of the failure and bankruptcy of the former Shangri-La Resort on Grand Lake” and to restore and enhance the property back to its previous status by a “Redeveloper”. The project costs authorized by this plan shall not exceed twenty-five (25) years. The project area comprises approximately 415 acres and is known as Increment District Number 1 where the increment will be generated. Increment District Number 1 is an ad valorem, use, and sales tax increment district. These funds are accounted for in the Delaware County Economic Development Authority-ST fund.

Sales Tax of April 3, 2012

On April 3, 2012, the voters of Delaware County approved a county sales tax of one-half of one percent (1/2%) to terminate at seventeen (17) years from the effective date of July 1, 2012 or until any debt issued to satisfy the balance due and owing on the judgement entered against Delaware County in case 09-CV-407-JHP (the Judgement) has been satisfied, whichever occurs sooner. These funds are accounted for in the Judgment Debt-ST fund. According to the Sales Tax Agreement of May 1, 2012 (the Agreement) between the County and the Delaware County Justice Authority (the Authority), the County requested the Authority issue revenues bonds and loan the proceeds to the County for the purpose of paying the Judgement and the County agreed to levy, pledge, and appropriate the sales tax revenues to the Authority for the purpose of paying and securing the revenue bonds.

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

E. Interfund Transfers

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

- \$400,000 was transferred to the County General fund from the Resale Property fund as an interfund temporary loan for operating expenses as allowed by 68 O.S. § 3021.
- \$400,000 was transferred to the Resale Property fund from the County General fund to reimburse the original interfund temporary loan in accordance with 68 O.S. § 3021.
- \$750,000 was transferred to the County General fund from the Use Tax-ST fund as an interfund temporary loan for operating expenses as allowed by 68 O.S. § 3021.
- \$750,000 was transferred to the Use Tax-ST fund from the County General fund to reimburse the original interfund temporary loan in accordance with 68 O.S. § 3021.
- \$227,500 was transferred to the Emergency Transportation Revolving fund (a trust and agency fund) from the County Bridge and Road Improvement fund to reimburse the interfund temporary loan for road and bridge projects.
- \$63,609 was transferred to the County Highway Unrestricted fund from the County Bridge and Road Improvement fund to reimburse provided funding for road and bridge projects.
- \$15,469 was transferred to the County General fund from the COVID Aid and Relief fund for the reimbursement of disbursements related to the COVID pandemic, as allowed by grant funding.
- \$2,500 was transferred to the Emergency Management fund from the County General fund as an interfund temporary loan for operating expenses as allowed by 68 O.S. § 3021.

SUPPLEMENTARY INFORMATION

DELAWARE 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	\$ 45,000	\$ 44,953	\$ 47
County Sheriff	1,715,000	1,643,855	71,145
County Treasurer	265,621	264,132	1,489
County Commissioners	288,931	250,828	38,103
OSU Extension	72,510	29,378	43,132
County Clerk	464,633	444,460	20,173
Court Clerk	245,725	244,398	1,327
County Assessor	290,507	287,221	3,286
Visual Inspection	635,307	520,734	114,573
General Government	1,230,093	676,345	553,748
Excise Equalization	5,000	2,904	2,096
County Election	202,970	189,720	13,250
Insurance/Benefits	360,831	258,532	102,299
Emergency Management	69,078	54,690	14,388
Charity	5,000	645	4,355
Building Maintenance	69,994	60,774	9,220
E-911	370,866	328,609	42,257
County Audit Budget	98,888	15,050	83,838
Free Fair	16,350	16,081	269
Human Resources	35,010	31,810	3,200
Free Fair Improvement	20,470	-	20,470
Total Expenditures, Budgetary Basis	<u>\$ 6,507,784</u>	<u>\$ 5,365,119</u>	<u>\$ 1,142,665</u>

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

	Health Fund		
	Budget	Actual	Variance
Health and Welfare	\$ 2,335,535	\$ 681,543	\$ 1,653,992
Total Expenditures, Budgetary Basis	\$ 2,335,535	\$ 681,543	\$ 1,653,992

**DELAWARE 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 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

**DELAWARE 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			
Direct Grant:			
COVID-19 Coronavirus Emergency Supplemental Funding Program	16.034	N/A	\$ 10,616
Total U.S. Department of Justice			<u>10,616</u>
U.S. DEPARTMENT OF TREASURY			
Passed Through the Oklahoma Office of Management and Enterprise Services:			
COVID-19 Coronavirus Relief Fund	21.019	SA-1171	2,024,981
Total U.S. Department of Treasury			<u>2,024,981</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed Through the Oklahoma Department of Emergency Management:			
Hazard Mitigation Grant	97.039	HMPG-20-21	13,245
Emergency Management Performance Grants	97.042	EMPG-21	7,177
Total U.S. Department of Homeland Security			<u>20,422</u>
Total Expenditures of Federal Awards			<u>\$ 2,056,019</u>

**DELAWARE 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 Delaware 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

Delaware 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 Act (CARES Act) into law. Delaware County received \$2,024,981 in federal relief funds. The County incurred \$1,514,316 in eligible expenditures in the prior year ending June 30, 2020. These eligible expenditures were from March 16, 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 21.019 – Coronavirus Relief Fund includes \$1,514,316 in eligible expenditures incurred in the fiscal year ending June 30, 2020, and \$510,665 in eligible expenditures that were incurred in the fiscal year ending June 30, 2021, totaling \$2,024,981.

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
DELAWARE 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 Delaware County, Oklahoma, as of and for the year ended June 30, 2021, and the related notes to the financial statement, which collectively comprise Delaware County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated February 6, 2024.

Our report included an adverse opinion on the financial statement because the statement is prepared using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. 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 Delaware 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 Delaware County's internal control. Accordingly, we do not express an opinion on the effectiveness of Delaware 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 a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a material weakness: 2021-002.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Delaware County's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2021-002.

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

Delaware County's Response to Findings

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

February 6, 2024



**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
DELAWARE COUNTY, OKLAHOMA

Report on Compliance for Each Major Federal Program

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

Basis for Qualified Opinion on Assistance Listing 21.019 - Coronavirus Relief Fund

As described in Finding 2021-009 in the accompanying schedule of findings and questioned costs, Delaware County did not comply with requirements regarding the following:

Assistance			
Finding #	Listing	Program (or Cluster) Name	Compliance Requirement
2021-009	21.019	Coronavirus Relief Fund	Activities Allowed or Unallowed
2021-009	21.019	Coronavirus Relief Fund	Allowable Costs/Cost Principles

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

Qualified Opinion on Assistance Listing 21.019 - Coronavirus Relief Fund

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

Other Matters

Delaware County’s response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Delaware 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 Delaware 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 Delaware 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 Delaware 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 2021-007, 2021-008, 2021-009, and 2021-010, that we consider to be material weaknesses.

Delaware County's Response to Findings

Delaware 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. Delaware 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

February 6, 2024

**DELAWARE 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? 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

Assistance Listing Number(s)

21.019

Name of Federal Program or Cluster

Coronavirus Relief Fund

Dollar threshold used to distinguish between

Type A and Type B programs: \$750,000

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

**DELAWARE 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 2021-002 – Lack of Internal Controls and Noncompliance Over the Disbursement Process (Repeat Finding – 2020-002)

Condition: Upon inquiry and observation of the disbursement process, we noted the following:

The audit of sixty (60) disbursements, reflected the following:

- Two (2) disbursements were not properly encumbered in accordance with state statutes.
- One (1) disbursement could not be located by the County.
- One (1) disbursement did not agree to the supporting documentation (i.e., invoice).
- Two (2) blanket purchase orders were not properly completed.

In addition, the following was noted:

- One (1) disbursement had the County Clerk’s name both pre-printed and stamped on the purchase order. The County Clerk did not sign or initial beside her pre-printed name.
- The signature stamp of the County Clerk is allowed to be utilized by deputies in the County Clerk’s office.

Further, our review of payroll reflected the following:

- Payroll affidavits were only signed by the Chairman of the Board of County Commissioners.
- Two (2) timesheets could not be located; one (1) from the E-911 Department, and one (1) from the Sheriff’s Department.

Cause of Condition: Policies and procedures have not been designed and implemented regarding the disbursement process to ensure compliance with state statute.

Effect of Condition: This condition resulted in noncompliance with state statute which could result in unrecorded transactions, misstated financial reports, undetected errors, and misappropriation of funds.

Recommendation: The Oklahoma State Auditor & Inspector’s Office (OSAI) recommends management implement internal control procedures to compliance with state statute. Purchase orders should be encumbered before goods or services are ordered and supported by adequate documentation in accordance with 19 O.S. § 1505. Further controls should include ensuring that initials are required for all signatures that are printed on documents, and ensure signature stamps are only used by the owner of the stamp.

Management Response:

Chairman of Board of County Commissioners: The Board of County Commissioners will express to fellow Count Officials the importance of County funds being encumbered prior to the receipt of goods and/or services. Additionally, blanket purchase orders will be properly completed and at least two members

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

of the Board of County Commissioners will review and approve payroll affidavits to ensure proper internal controls over the payroll process.

County Clerk: We will maintain all documents for examination and implement that signature stamps are only accessed and used by the owner of the stamp.

County Sheriff: Timesheets will be properly filed and maintained for inspection.

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 – Principle 10 – Design Control Activities – 10.03 states in part:

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.

Further, Title 19 O.S. § 1505 prescribes the procedures for requisition, purchase, and receipt of supplies, material, and equipment.

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 2021-007 – Lack of County-Wide 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 LISTING: 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-

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

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 that the County design and 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.

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.

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

Finding 2021-008 – 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 LISTING: 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 Delaware 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 grant 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 this program and implement a system of internal control procedures to ensure compliance with grant requirements.

Management Response:

Chairman of the Board of County Commissioners: The Board of County Commissioners will work with all County Officials for discussion of all grants and federal monies that Delaware 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 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).

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

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 2021-009 – Lack of Internal Controls and Noncompliance Over Major Federal Program - Activities Allowed or Unallowed; Allowed Costs/Cost Principles – Coronavirus Relief Fund

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

FEDERAL AGENCY: U.S. Department of Treasury

ASSISTANCE LISTING: 21.019

FEDERAL PROGRAM NAME: Coronavirus Relief Fund

FEDERAL AWARD YEAR: 2021

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

QUESTIONED COSTS: \$804,695

Condition: A test of 100% of payroll expenditures reflected program disbursements totaling \$804,695 that were not expended in accordance with the Activities Allowed or Unallowed; Allowable Costs/Cost Principles due to ineligible costs.

- The County was reimbursed \$726,310 for General Government payroll expenditures for the offices of the County Commissioners, County Clerk, County Treasurer, County Assessor, and the County Court Clerk, for the period March 15, 2020, through October 30, 2020, which was determined to be an unallowed cost to mitigate or prevent the spread of COVID-19 in accordance with grant requirements.
- The County was reimbursed \$78,385 for 911 Trust Authority payroll expenditures, for the period August 15, 2020, through October 30, 2020, which was determined to be an unallowed cost of non-county employees to mitigate or prevent the spread of COVID-19 in accordance with grant requirements.

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 and could result in the repayment of grants funds to the grantor agency.

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

Management Response:

Chairman of the Board of County Commissioners: The Board of County Commissioners will work to ensure federal disbursements comply with federal grant requirements. The County relied on the Oklahoma

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

Office of Management and Enterprise Services to ensure that the County reimbursement request was for eligible expenditures.

Criteria: Title 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(a) Internal Controls* reads as follows:

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.

Finding 2021-010 – Lack of Internal Controls over the Schedule of Expenditures of Federal Awards

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

FEDERAL AGENCY: U.S. Department of Treasury

ASSISTANCE LISTING: 21.019

FEDERAL PROGRAM NAME: Coronavirus Relief Fund

FEDERAL AWARD YEAR: 2021

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

QUESTIONED COSTS: \$0

Condition: During the review of 100% of federal expenditures reported on the Schedule of Expenditures of Federal Awards (SEFA), federal programs were identified that were not accurately reported. Actual federal expenditures for the major federal program Assistance Listing 21.019 - Coronavirus Relief Fund were \$2,024,981 and the County reported \$193,762. Therefore, expenditures were understated \$1,831,219 for the major federal program Coronavirus Relief Fund.

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

Further, actual federal expenditures for Assistance Listing 97.036 Disaster Grants – Public Assistance (Presidentially Declared Disasters) FEMA DR-4438 were \$0 and the County reported \$109,550. Therefore, the expenditures were overstated by \$109,550. Actual federal expenditures for Assistance Listing 97.042 - Emergency Management Performance Grants were \$7,177 and the County reported \$15,000. Therefore, expenditures were overstated by \$7,823.

Additionally, the county reported expenditures of the Social Security Administration, overstating expenditures \$1,200, although considered federally sourced, expenditures should not be reported on the SEFA.

Reported Total Expenditures of Federal Awards	\$ 343,373
Add: Coronavirus Relief Fund (21.019)	1,831,219
Less: Disaster Grants – Public Assistance	
(Presidentially Declared Disasters) FEMA DR-4438 (97.036)	(109,550)
Less: Emergency Management Performance Grants (97.042)	(7,823)
Less: Social Security Administration	(1,200)
Actual Federal Expenditures of Federal Awards	<u>\$ 2,056,019</u>
SEFA Understated	<u>(\$1,712,646)</u>

Cause of Condition: Policies and procedures have not been designed and implemented to ensure accurate reporting of expenditures for federal awards.

Effect of Condition: This resulted in a material misstatement of the County’s Schedule of Expenditures of Federal Awards and could increase the potential for material noncompliance.

Recommendation: OSAI recommends the County design and implement internal controls to ensure accurate reporting of federal expenditures on the SEFA.

Management Response:

Chairman of the Board of County Commissioners: The BOCC will work to design and implement internal controls to ensure accurate reporting of federal expenditures on the SEFA and ensure compliance with federal 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.

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

Further, Title 2 *CFR* 200 § 200.510(a)(b) *Financial Statements* reads as follows:

- (a) *Financial statements*. The auditee must prepare financial statements that reflect its financial position, results of operations or changes in net assets, and, where appropriate, cash flows for the fiscal year audited. The financial statements must be for the same organizational unit and fiscal year that is chosen to meet the requirements of this part. However, non-Federal entity-wide financial statements may also include departments, agencies, and other organizational units that have separate audits in accordance with §200.514 Scope of audit, paragraph (a) and prepare separate financial statements.
- (b) *Schedule of expenditures of Federal awards*. The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with §200.502 Basis for determining Federal awards expended.

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 2021-005 – Lack of Internal Controls and Noncompliance Over the Inmate Trust Fund Checking Account and Sheriff Commissary Fund (Repeat Finding – 2019-005, 2020-005)

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:

- The Sheriff’s Office 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 processing a transaction.
- One employee has the ability to collect cash from the kiosk, collect cash from the cash box, manually enter receipts into the system, balancing the cash drawer, prepare deposits, and take deposit to the bank.
- Deposits to the Inmate Trust Checking Account are not made daily.
- The bank statement did not reconcile to the Inmate Trust Ledger as of June 30, 2020.
- There is no evidence of someone other than preparer reviewing the bank reconciliations and deposits.
- The Sheriff’s Office cannot determine individual inmate balances that are active in the accounting system.
- Inmate ledger balances are not reconciled to the bank statement.
- There is no policy or procedure in place for unclaimed inmate funds.

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

Sheriff Commissary Fund:

- The Sheriff's Office did not prepare an annual Sheriff Commissary Report to file with the Board of County Commissioners by January 15th.

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

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

Recommendation: OSAI recommends the following:

- Establish procedures to separate the key functions of the receipting, depositing, and reconciliation process of the Inmate Trust Fund Checking Account.
- All monies collected should be deposited on a daily basis.
- Inmate Trust Fund monies should be maintained in a manner that reflects each inmate's trust deposit, disbursement, and account balances. The inmate's ledger balances should be reconciled to the bank statement.
- The Sheriff's Office should design and implement procedures to address unclaimed Inmate Trust Fund monies.

Further, the Sheriff's Office file an annual report for the Sheriff Commissary Fund with the Board of County Commissioners by January 15.

Management Response:

County Sheriff: We are aware of the conditions and will work towards implementing the recommendations and a review process as well as submit a yearly report to the Board of County Commissioners by January 15. We will ensure the yearly commissary report reconciles to the County Treasurer's general ledger.

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

Segregation of Duties

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

Additionally, Principle 10 - Segregation of Duties states:

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

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

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. § 682 states in part, “It shall be the duty of each and every county officer...to deposit daily...all monies...of every kind received or collected by virtue or under color of office...”

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

Title 22 O.S. § 1325(F, H) prescribes procedures for handling unclaimed property.

APPENDIX A

CORRECTIVE ACTION PLAN

(Prepared by County Management)



BOARD OF COMMISSIONERS DELAWARE COUNTY

DAVID POINDEXTER, DISTRICT ONE
JAKE CALLIHAN, DISTRICT TWO
DAVID BECK, DISTRICT THREE

DRAWER 550
JAY, OK 74346

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

Finding No.	Title (Financial) or Assistance Listings No. & Program Name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2021-002	Lack of Internal Controls and Noncompliance Over the Disbursement Process	The Board of County Commissioners will express to fellow County officials the importance of County funds being encumbered prior to the receipt of goods and/or services. Additionally, at least two members of the Board of County Commissioners will review and approve payroll affidavits to ensure proper internal controls over the payroll process.	7/1/2024	David Poindexter, BOCC Chairman
2021-007	Assistance Listing Number 21.019 Lack of County-Wide Internal Controls Over Major Federal Program-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.	7/1/2024	David Poindexter, BOCC Chairman
2021-008	Assistance Listing Number	The Board of County Commissioners will work with all County Officials to go over all grants	7/1/2024	David Poindexter,

	21.019 Lack of Internal Controls Over Major Federal Program – Coronavirus Relief Fund	and federal monies that the County receives to ensure that proper internal controls are implemented.		BOCC Chairman
2021-009	Assistance Listing Number 21.019 Noncompliance with Activities Allowed or Unallowed and Allowed Costs/Cost Principles Over Major Federal Program – Coronavirus Relief Fund	The Board of County Commissioners will take measures to ensure future compliance with all requirements of federal grants.	7/1/2024	David Poindexter, BOCC Chairman
2021-010	Assistance Listing Number 21.019 Lack of Internal Controls Over the Schedule of Expenditures of Federal Awards (SEFA)	The BOCC will work to design and implement internal controls to ensure accurate reporting of federal expenditures on the Schedule of Federal Awards (SEFA) and ensure compliance with federal requirements.	7/1/2024	David Poindexter, BOCC Chairman

APPENDIX B

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

(Prepared by County Management)



BOARD OF COMMISSIONERS DELAWARE COUNTY

DAVID POINDEXTER, DISTRICT ONE
JAKE CALLIHAN, DISTRICT TWO
DAVID BECK, DISTRICT THREE

DRAWER 550
JAY, OK 74346

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 2007-001, 2008-001

Lack of Internal Controls Over the General Ledger

Finding Summary: All bank accounts held in the County's name were not accounted for on the general ledger of the County Treasurer.

Status: Corrective action has been taken.

Finding 2007-002, 2008-002

Lack of Internal Controls and Noncompliance Over Investments

Finding Summary: An investment resolution was not approved by the Board of County Commissioners.

Status: Corrective action has been taken.

Finding 2007-004, 2008-003

Lack of Internal Controls Over Eligible OPERS Benefits

Finding Summary: Two employees worked more than 1,000 hours in a one-year period but did not receive eligible benefits.

Status: Corrective action has been taken.

Finding 2007-005, 2008-004

Lack of Internal Controls Over Time Reporting

Finding Summary: Timesheets of one employee were not reviewed and approved by a supervisor.

Status: Corrective action has been taken.

Finding 2007-006, 2008-005

Lack of Internal Controls Over Sick Leave Balances

Finding Summary: One employee was allowed to carry a negative sick leave balance for two months.

Status: Corrective action has been taken.

Finding 2007-011, 2008-010, 2017-008, 2018-008, 2019-003

Lack of Internal Controls Over Payroll Process

Finding Summary: A lack of segregation of duties exists in the County Clerk's office because one deputy collects payroll verification forms from the departments, enters payroll information including new hires into the system, reconciles the warrant registers to the verification forms, and prints and distributes payroll warrants.

Status: Corrective action has been taken.

FEDERAL AUDIT FINDINGS

Finding 2007-013

Noncompliance with Procurement, Suspension and Debarment Over Major Federal Program - CDBG

Pass-Through Grantor: State of Oklahoma Department of Commerce

Federal Agency: U.S. Department of Housing and Urban Development

Assistance Listings No: 14.228

Federal Program Name: Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii

Federal Award Year: 2007

Control Category: Procurement, Suspension and Debarment

Questioned Costs: \$0

Finding Summary: Neither the County or Grand Gateway Economic Development Authority checked the Excluded Parties List System to see if any of the contractors used for a federally funded project were suspended or debarred.

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 2007-014

Noncompliance with Reporting Over Major Federal Program - CDBG

Pass-Through Grantor: State of Oklahoma Department of Commerce

Federal Agency: U.S. Department of Housing and Urban Development

Assistance Listings No: 14.228

Federal Program Name: Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii

Federal Award Year: 2007

Control Category: Reporting

Questioned Costs: \$0

Finding Summary: Close out documents were submitted to the Oklahoma Department of Commerce on October 3, 2008. Documents were due 60 days after the close out date of September 25, 2006.

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
S·A·I
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