



GREER COUNTY

Operational Audit

For the fiscal year ended June 30, 2016

Cindy Byrd, CPA
State Auditor & Inspector

**GREER COUNTY OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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June 12, 2019

**TO THE CITIZENS OF
GREER COUNTY, OKLAHOMA**

Transmitted herewith is the audit report of Greer County for the fiscal year ended June 30, 2016.

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

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

Sincerely,



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



**GREER COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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**INTRODUCTORY SECTION
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Board of County Commissioners

District 1 – Brent York
District 2 – Terry Nickell
District 3 – Steven Fite

County Assessor

Junita Reeves

County Clerk

Jackie Cloyd

County Sheriff

Devin Huckabay

County Treasurer

Donna Bull

Court Clerk

Rhonda Henry

District Attorney

Ken Darby

**GREER COUNTY, OKLAHOMA
SALES TAX DISTRIBUTION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Sales Tax

Sales Tax of January 1, 1985

Effective January 1, 1985, the voters of Greer County approved a one cent (1%) for an unlimited time period, to be distributed in the following manner: 5% for Free Fair, 15% for OSU Extension; and 80% to the County General Fund. These funds are accounted for in the Free Fair Sales Tax fund, OSU Extension Sales Tax fund, and the County General Fund.

Sales Tax on Lodging October 1, 2002

Effective October 1, 2002, the voters of Greer County approved a five (5%) tax of unlimited duration, in which gross proceeds derived from the service of furnishing of rooms by hotels, apartment hotels, or motels and from the furnishing of any other facility for public lodging. The net revenues from such lodging tax are to be apportioned 50% to the General Fund of Greer County and 50% to the Economic Development Authority. These funds are accounted for in the County General Fund and the Economic Development Authority Hotel/Motel Sales Tax fund.

Sales Tax of February 5, 2008

Effective July 1, 2008, the voters of Greer County approved a 1/2% of 1% (.005%) sales tax for the time period starting February 5, 2008 and ending June 30, 2018. The said sales tax provides funds for restoration, maintenance, and capital improvements for the Greer County Courthouse, Sheriff's Office and County Jail. These funds are accounted for in the Renovation Sales Tax fund.

Sales Tax of October 1, 2014

Effective October 1, 2014, the voters of Greer County approved a 1/2% of 1% (.005%) sales tax for the time period starting October 1, 2014 and ending September 30, 2022. The said sales tax provides funds for continued operations of essential divisions of the county government which were apportioned in July and August of 2015 as follows: 50% to the County General Fund, 45% to the Board of Prisoners fund, and 5% to the County Emergency Fund Sales Tax fund. Resolution #2015-19, approved September 13, 2015, established separate cash funds as required by state law. Beginning September 30, 2015, 50% of the 1/2% of 1% shall be divided as follows: 40% apportioned and accounted for in the General Fund Sales Tax fund and 10% apportioned and accounted for in the County Clerk Sales Tax fund. Further, 45% of the 1/2% of 1% apportioned and accounted for in the Sheriff Sales Tax fund, and the remaining 5% of 1/2% of 1% apportioned and accounted for in the County Emergency Fund Sales Tax fund.

During the fiscal year the County collected \$573,517 in total sales tax.

**GREER COUNTY, OKLAHOMA
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Presentation of Apportionments, Disbursements, and Cash Balances of County Funds for the Fiscal Year Ended June 30, 2016

	Beginning Cash Balances July 1, 2015	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2016
Combining Information:						
County Funds:						
County General Fund	\$ 276,340	\$ 727,518	\$ -	\$ -	\$ 715,951	\$ 287,907
County Highway Fund	1,642,816	1,869,083	-	-	2,138,183	1,373,716
County Health Department	81,398	165,213	-	-	168,187	78,424
Sheriff Board of Prisoner	37,550	161,753	-	-	180,003	19,300
Renovation Sales Tax	506,574	143,379	-	-	256,098	393,855
Economic Development Authority Hotel/Motel Sales Tax	1,995	28,196	-	-	28,582	1,609
Industrial Development Authority Sales Tax	299,967	16,861	-	277,820	-	39,008
Free Fair Sales Tax	9,048	14,338	-	-	15,397	7,989
OSU Extension Sales Tax	99,865	39,414	-	-	43,782	95,497
Homeland Security Grant	21,671	1,000	-	-	877	21,794
County Bridge and Road Improvement 103	151,365	1,331	-	-	321	152,375
County Bridge and Road Improvement 105	1,617,150	392,742	-	-	-	2,009,892
Resale Property	94,132	39,017	-	-	23,000	110,149
Treasurer Mortgage Tax Certification Fee	2,494	1,235	-	-	3,234	495
County Clerk Lien Fee	391	3,550	800	-	2,134	2,607
County Clerk Records Management Preservation	1,200	6,705	-	800	5,124	1,981
Assessor Revolving Fee	7,874	1,628	-	-	1,520	7,982
Sheriff Service Fee	6,739	70,342	-	-	70,991	6,090
Sheriff Commissary Fund	2,937	13,794	-	-	10,580	6,151
Sheriff Training	61	-	-	-	-	61
Sheriff Drug Enforcement	523	150	-	-	-	673
Sheriff Medical Reimbursement	71,282	-	-	-	70,692	590
Courthouse Security	1,090	6,906	-	-	7,124	872
Development of Industry	137,778	-	-	-	-	137,778
General Obligation Bond - Sinking Fund	29	-	-	-	-	29
County Emergency Fund Sales Tax	3,087	7,169	277,820	-	-	288,076
General Fund Sales Tax	-	52,178	-	-	1,359	50,819
Sheriff Sales Tax	-	52,178	-	-	46,281	5,897
County Clerk Sales Tax	-	5,798	-	-	2,523	3,275
Court Fund Payroll	-	66,514	-	-	66,514	-
Combined Total - All County Funds	\$ 5,075,356	\$ 3,887,992	\$ 278,620	\$ 278,620	\$ 3,858,457	\$ 5,104,891

Source: County Treasurer's Monthly Reports (presented for informational purposes)

**GREER COUNTY
DESCRIPTION OF COUNTY FUNDS AND TRANSFERS
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Description of County Funds

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 within the Presentation of Apportionments, Disbursements, and Cash Balances of County Funds:

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

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

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

Sheriff Board of Prisoner – accounts for the collection of monies from the Oklahoma Department of Corrections and disbursements are used for the operation of the jail.

Renovation Sales Tax – accounts for the collection of sales tax money to be disbursed for purpose of renovation of the Greer County Courthouse and Sheriff Annex Building.

Economic Development Authority Hotel/Motel Sales Tax – accounts for sales tax monies apportioned from hotel and motel tax for economic development in Greer County.

Industrial Development Authority Sales Tax – accounts for the collection of a sales tax, which was terminated in 2003 after the relocation of the company for which the sales tax was originally approved by the voters. Remaining sales tax collections were used to establish the County Emergency Fund, as approved by the voters in October 2014.

Free Fair Sales Tax – accounts for the collection of sales tax monies and the disbursement for the operations of the free fair organization.

OSU Extension Sales Tax – accounts for the collection of sales tax monies and the disbursement for the operations of the extension office.

Homeland Security Grant – accounts for the collection of grant monies to be disbursed for the purpose of homeland security by Greer County.

County Bridge and Road Improvement 103 – accounts for state receipts and disbursements are for the purpose of maintaining bridges and roads.

**GREER COUNTY
DESCRIPTION OF COUNTY FUNDS AND TRANSFERS
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

County Bridge and Road Improvement 105 – accounts for state receipts and disbursements are for the purpose of maintaining bridges and roads.

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

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

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

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

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

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

Sheriff Commissary Fund – accounts for the collection of the sales of items to inmates and disbursements to purchase commissary goods from the vendor and can be used for maintenance and operations of the county jail.

Sheriff Training – accounts for the collection of miscellaneous receipts and disbursements for the training of Sheriff deputies.

Sheriff Drug Enforcement – accounts for the collection of drug forfeitures and disbursements for the purpose of drug enforcement along with equipment and training.

Sheriff Medical Reimbursement – accounts for the collection of medical fees reimbursed from prisoners and disbursements are made for general operations of the Sheriff’s office.

Courthouse Security – accounts for the collection of fees through the court system and disbursements are for courthouse security.

Development of Industry – accounts for funds remaining from the general obligation bonds issued in 1993 and 1996. Disbursements are for the inquiry and possible development of industry in the County.

General Obligation Bond – Sinking Fund – accounts for monies collected from ad valorem taxes for payments of bonds or judgments against the County.

**GREER COUNTY
DESCRIPTION OF COUNTY FUNDS AND TRANSFERS
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

County Emergency Fund Sales Tax – accounts for the collections of sales tax money to be disbursed for county emergencies. This fund was established by the approval of voters of Greer County in October 2014 from remains of sales tax collections of the Industrial Development Authority Sales Tax fund for which sales tax collections were ceased.

General Fund Sales Tax – accounts for the collections of sales tax money to be disbursed for the operations of the General Fund.

Sheriff Sales Tax – accounts for the collections of sales tax money to be disbursed for the operations in the office of the County Sheriff.

County Clerk Sales Tax – accounts for the collections of sales tax money to be disbursed for the operations in the office of the County Clerk.

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

Interfund Transfers

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

- \$277,820 was transferred from the Industrial Development Authority Sales Tax fund to the County Emergency Fund Sales Tax fund as approved by the voters in October 2014.
- During the fiscal year ended June 30, 2014, a temporary transfer, allowed by state statutes, was made from the County Clerk Lien Fee fund to the County Clerk Records Management Preservation fund in the amount of \$800. During the fiscal year ended June 30, 2015, a temporary transfer, allowed by state statutes, was also made from the County Clerk Lien Fee fund to the County Clerk Records Management Preservation fund in the amount of \$448. During the fiscal year ended June 30, 2016, the County Clerk Records Management Preservation fund repaid the County Clerk Lien Fee fund \$800. The amount still due the County Clerk Lien Fee fund at June 30, 2016 is \$448.

GREER COUNTY, OKLAHOMA
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
COUNTY GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 276,340	\$ 276,340	\$ -
Less: Prior Year Outstanding Warrants	(35,668)	(35,668)	-
Less: Prior Year Encumbrances	(1,564)	(905)	659
Beginning Cash Balances, Budgetary Basis	239,108	239,767	659
Receipts:			
Total Receipts, Budgetary Basis	658,102	727,518	69,416
Expenditures:			
Total Expenditures, Budgetary Basis	897,210	716,646	180,564
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	250,639	\$ 250,639
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		35,813	
Add: Current Year Encumbrances		1,455	
Ending Cash Balance		\$ 287,907	

Source: County Estimate of Needs (presented for informational purposes)

**GREER COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
COUNTY HEALTH DEPARTMENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 81,399	\$ 81,398	\$ (1)
Less: Prior Year Outstanding Warrants	(6,063)	(6,063)	-
Less: Prior Year Encumbrances	(29)	(29)	-
Beginning Cash Balances, Budgetary Basis	75,307	75,306	(1)
Receipts:			
Total Receipts, Budgetary Basis	159,795	165,213	5,418
Expenditures:			
Total Expenditures, Budgetary Basis	235,102	179,673	55,429
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	60,846	\$ 60,846
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		4,000	
Add: Current Year Outstanding Warrants		13,578	
Ending Cash Balance		\$ 78,424	

Source: County Estimate of Needs (presented for informational purposes)

**GREER COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

PURPOSE, SCOPE, AND GENERAL METHODOLOGY

This audit was conducted in response to 19 O.S. § 171, which requires the State Auditor and Inspector's Office to audit the books and accounts of county officers.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In planning and conducting our audit, we focused on the major financial related areas of operations based on assessment of materiality and risk for the fiscal year ended June 30, 2016.

Our audit procedures included inquiries of appropriate personnel, inspections of documents and records, and observations of the County's operations. Further details regarding our methodology are included under each objective.

We utilized sampling of transactions to achieve our objectives. To ensure the samples were representative of the population and provided sufficient, appropriate evidence, the random sample methodology and the judgmental sample methodology were used. We identified specific attributes for testing each of the samples and when appropriate, we projected our results to the population.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, errors or fraud may occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

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.

Objective 1: To determine the receipts apportioned, disbursements, and cash balances are accurately presented on the County Treasurer's monthly reports for FY 2016

Conclusion: With respect to the items reconciled and reviewed; the receipts apportioned, disbursements, and cash balances are accurately presented on the County Treasurer's monthly reports. However, we noted some deficiencies in internal controls regarding the financial reporting process.

Objective 1 Methodology: To accomplish objective 1, we performed the following:

- Evaluated significant internal controls related to preparing the Treasurer's Monthly Reports, which included:
 - Reviewing a random sample of 5 Treasurer's monthly reports (41.67% of months in the population tested) to ensure the monthly reports were signed and approved by someone other than the preparer, reconciled to the general ledger, and reconciled to the bank statement.
 - Reviewing a random sample of 5 bank statements and related bank reconciliations (8.33% of the total bank statements in the population tested) to ensure bank reconciliations were signed and approved by someone other than the preparer and correctly reconciled to the bank statement.
- Reconciled total collections from the monthly reports to the apportionments ledger for each month and to the annual summary of the Treasurer's reports.
- Confirmed \$3,175,700 in cash receipts (81.68% of total cash receipts) received from the Oklahoma Tax Commission, Federal grantor agencies, and the State Treasurer's Office, and determined that these receipts were apportioned to the proper fund in the proper amount.
- Reconciled the general ledger of cash and investments at June 30 to the annual summary of the Treasurer's reports.
- Confirmed all cash and investment balances.
- Re-performed the June 30 bank reconciliation and confirmed reconciling items.
- Reviewed bank balances of all accounts at June 30 on the Treasurer's general ledger to ensure that investments were adequately secured as required by 62 O.S. § 517.4.
- Examined the Treasurer's total cash disbursements and compared it to the County Clerk's total checks and cash vouchers issued to ensure the totals reconciled.

FINDINGS AND RECOMMENDATIONS

Finding 2016-001 – Inadequate Internal Controls Over the Collection Process (Repeat Finding)

Condition: The office of the County Treasurer consists of the Treasurer and one Deputy. To enhance internal controls, the County Treasurer implemented some review processes of work performed; however, review and approval of work performed was not readily evidenced by initials and dates with regards to independent oversight pertaining to balancing of cash drawers and deposit slips.

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Cause of Condition: Policies and procedures have not been designed and implemented with regards to adequately providing independent oversight pertaining to all aspects of the collections process.

Effect of Condition: A lack of independent oversight may result in a single person with responsibility for more than one area of recording, authorization, custody of assets, and execution of transactions could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner.

Recommendation: The Oklahoma State Auditor & Inspector's Office (OSAI) recommends management be aware of these conditions and realize that a concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective procedures lie in management's oversight of office operations and a periodic review of operations. OSAI recommends management provide segregation of duties so that one employee is unable to perform all accounting functions. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating procedures to mitigate the risks involved with a concentration of duties. Compensating procedures would include separating key processes and/or critical functions of the office and having management review and approve accounting functions.

Management Response:

County Treasurer: We have designed internal controls to enhance oversight of collections and deposits.

Criteria: Accountability and stewardship are overall goals of management in accounting of funds. To help ensure a proper accounting of funds, the duties of receiving, receipting, recording, depositing cash and checks, reconciliations, and transaction authorization should be segregated.

Objective 2: To determine the County's financial operations complied with 68 O.S. § 1370E, which requires the sales tax collections to be deposited in the general revenue or Sales Tax Revolving Fund of the County and be used only for the purpose for which such sales tax was designated.

Conclusion: With respect to the items tested, the County did not comply with 68 O.S. § 1370E, which requires the sales tax collections to be deposited in the general revenue or Sales Tax Revolving Fund of the County and be used only for the purpose for which such sales tax was designated.

Objective 2 Methodology: To accomplish objective 2, we performed the following:

- Evaluated significant internal controls related to sales tax, which included:
 - Reviewing sales tax collections to ensure the collection was apportioned and appropriated in accordance with the sales tax ballot and that the apportionment and appropriation were reviewed and approved.
 - Reviewing a random sample of sales tax disbursements totaling \$17,556 (4.80% of sales tax disbursements in the population tested) to ensure the expenditure was approved and made for the purposes designated in the sales tax ballot.

- Confirmed all sales tax receipts received from the Oklahoma Tax Commission.

FINDINGS AND RECOMMENDATIONS

Finding 2016-002 – Inadequate Internal Controls and Noncompliance Over the Apportionments and Disbursements of County Sales Tax (Repeat Finding)

Condition: Upon inquiry and observation of the recordkeeping process of collecting and expending county sales tax, the following was noted:

- A county sales tax was apportioned into the County General Fund as specified by Title 68 O.S. § 1370E and identified as such as a revenue source. However, the sales tax funds with regards to the 1% passed in 1984 were not discretely presented within the County General Fund and therefore, specific disbursements made with sales tax funds could not be identified.
- Sales Tax funds for July and August 2015 were apportioned to the Sheriff Board of Prisoners and not presented in a separate sales tax revolving fund and therefore, sales tax disbursements made from the Sheriff Board of Prisoners cash fund for July and August 2015 could not be identified.
- Remaining sales tax collections from the sales tax fund Industrial Development Authority Sales Tax fund were to be transferred to the County Emergency Fund Sales Tax as approved by the voters on June 24, 2014. However, it was not until October 2015, that County transferred a portion of the funds, \$277,820, to the County Emergency Fund Sales Tax fund. This left a balance of \$39,008 still to be transferred.

Cause of Condition: Policies and procedures have not been designed and implemented with regards to sales tax collections and disbursement processes to comply with state statute and AG Opinions 2005 AG 23 and 2014 AG 15.

Effect of Condition: These conditions resulted in noncompliance with state statute and AG Opinions and could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of funds.

Recommendation: OSAI recommends that the County sales tax apportioned to the County General Fund be accounted for in a separate account so as to discretely present the expenditures. In addition, the sales tax should be expended in such a manner to provide assurance that expenditures are made in accordance with the purposes specified by the ballot as outlined by 68 O.S. § 1370E and AG Opinions 2005 AG 23 and 2014 AG 15.

Further, OSAI recommends sales tax funds be transferred from the Sheriff Board of Prisoners cash fund and placed in a separate sales tax revolving fund, established for the Sheriff's Office and County Jail sales tax to ensure an accurate accounting of expenditures as outlined by 68 O.S. § 1370E.

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OSAI recommends the remaining sales tax funds of \$39,008 be transferred from the Industrial Development Authority Sales Tax fund and placed in the County Emergency Fund Sales Tax fund as approved by the voters.

Additionally, the cash fund Industrial Development Authority Sales Tax fund should no longer be designated as a sales tax fund after funds have been transferred to the Emergency Fund since those sales tax collections ceased on May 31, 1999.

Management Response:

Chairman, Board of County Commissioners: The Board of County Commissioners (BOCC) implemented changes September 13, 2015 in accordance with Oklahoma Statutes and the AG Opinion 2014. The County Emergency Fund Sales Tax fund and the Sheriff Sales Tax fund have been established. The Board of County Commissioners will further implement changes with regards to sales tax funds in accordance with Oklahoma Statutes and the AG Opinion 2005.

Criteria: Title 68 O.S. § 1370E, requires the sales tax collections be deposited in the general revenue or sales tax revolving fund of the County and be used only for the purpose for which such sales tax was designated.

Further, AG opinion 2005 OK AG 23 dated 07/13/2005 states:

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

Additionally, AG opinion 2014 OK AG 15 dated 10/31/2014 states:

“4. C. As the fiscal agent responsible for superintending the funds of Canadian County, the board of county commissioners is responsible to ensure that the sales tax proceeds are not intermingled and are used exclusively for the purpose expressed in the ballot measure and resolution. The board can direct that the funds be deposited in a dedicated revolving fund and not intermingled with other revenues. Okla. Const. art. X, § 19; [68 O.S.2011, § 1370](#); [19 O.S.Supp.2013, § 339](#); [19 O.S.2011, § 345](#); Cavin v. Bd. of County Comm’rs, [1934 OK 245 ¶ 11](#), [33 P.2d 477](#), 479.”

Finding 2016-003 – Inadequate Internal Controls and Noncompliance Over the Disbursements of County Lodging Tax (Repeat Finding)

Condition: Upon inquiry and observation of the recordkeeping process of collecting and expending county lodging tax, which was approved by the voters of Greer County and apportioned 50% to the County General Fund and 50% to the Economic Development Authority, the following was noted:

- Fifty percent (50%) of the lodging tax was deposited into the County General Fund as specified by Title 68 O.S. § 1370E and identified as such as a revenue source. However, the funds were not

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discretely presented within the County General Fund and therefore, specific expenditures made with lodging tax could not be identified.

- Fifty percent (50%) of the lodging tax was deposited into the Economic Development Authority Hotel/Motel Tax cash fund as specified by 68 O.S. § 1370E. However, the funds were directly disbursed by remittance warrant to the Economic Development Authority and therefore, specific expenditures made with the lodging tax by the Authority were not authorized by the BOCC and could not be identified.

Cause of Condition: Policies and procedures with regard to lodging tax collections and disbursements processes have not been designed and implemented to comply with state statute and AG Opinions.

Effect of Condition: These conditions resulted in noncompliance with state statute and AG Opinions, and could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of funds.

Recommendation: OSAI recommends that the County lodging tax apportioned to the County General Fund be accounted for in a separate account so as to discretely present the expenditures. In addition, the sales tax should be expended in such a manner to provide assurance that expenditures are made in accordance with the purposes specified by the ballot as outlined by 68 O.S. § 1370E and AG Opinions 2005 OK AG 23 and 2014 OK AG 15.

Further, OSAI recommends the Board of County Commissioners (BOCC) maintain oversight of the disbursements of County Lodging Tax with regards to the Economic Development Authority, which was approved by the voters of Greer County.

Management Response:

Chairman, Board of County Commissioners: The Board of County Commissioners will implement changes and report lodging tax in accordance with Oklahoma Statutes and the AG Opinions 2005 and 2014. Further, the BOCC will implement changes with regards to how lodging tax is disbursed to the Economic Development Authority.

Criteria: Title 68 O.S. § 1370E, requires the sales tax collections be deposited in the general revenue or sales tax revolving fund of the County and be used only for the purpose for which such sales tax was designated.

Further, AG opinion 2005 OK AG 23 dated 07/13/2005 states:

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

Additionally, AG opinion 2014 OK AG 15 dated 10/31/2014 states:

“4. C. As the fiscal agent responsible for superintending the funds of Canadian County, the board of county commissioners is responsible to ensure that the sales tax proceeds are not

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intermingled and are used exclusively for the purpose expressed in the ballot measure and resolution. The board can direct that the funds be deposited in a dedicated revolving fund and not intermingled with other revenues. Okla. Const. art. X, § 19; [68 O.S.2011, § 1370](#); [19 O.S.Supp.2013, § 339](#); [19 O.S.2011, § 345](#); Cavin v. Bd. of County Comm'rs, [1934 OK 245 ¶ 11, 33 P.2d 477, 479.](#)”

Objective 3: To determine the County’s financial operations complied with 68 O.S. § 2923, which requires the ad valorem tax collections to be apportioned and distributed monthly among the different funds to which they belong.

Conclusion: With respect to the items tested, the County’s financial operations complied with 68 O.S. § 2923, which requires the ad valorem tax collections to be apportioned and distributed monthly among the different funds to which they belong.

Objective 3 Methodology: To accomplish objective 3, we performed the following:

- Evaluated significant internal controls related to ad valorem tax collections, which included comparing the certified levies to the approved levies entered into the computer system to ensure levies were entered correctly.
- Recalculated the apportionment of ad valorem tax collections to determine collections were accurately apportioned to the taxing entities.

Objective 4: To determine whether the County’s internal controls provide reasonable assurance that expenditures (including payroll) were accurately reported in the accounting records and financial operations complied with significant laws and regulations.

Conclusion: The County’s internal controls do not provide reasonable assurance that expenditures, (including payroll) were accurately reported in the accounting records.

Additionally, the County’s financial operations did not comply with 19 O.S. § 1505, which requires that disbursements be properly supported, timely encumbered, and certified that all proper document be present to support the disbursement.

Objective 4 Methodology: To accomplish objective 4, we performed the following:

- Evaluated significant internal controls related to the expending of County funds through purchase orders, which included reviewing a random sample of purchase orders totaling \$27,086 (1.34% of purchase orders in the population tested) to ensure:
 - The purchase order was requisitioned and signed by an approved Requisition County Official,

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- The encumbrance was made, or funds were available prior to ordering goods or services and the encumbrance was approved by the County Clerk/Deputy,
 - The disbursement was reviewed and authorized and supported by adequate documentation, and
 - The BOCC reviewed and approved the disbursement and the disbursement was made for the appropriate amount.
- Evaluated significant internal controls related to the expending of County funds through cash vouchers, which included reviewing a judgmental sample of cash vouchers totaling \$17,059 (74.17% of cash vouchers in the population tested) to ensure:
 - The disbursement was reviewed and authorized,
 - The claimant signed the cash voucher claim,
 - The disbursement was made for the appropriate amount, and
 - The disbursement was supported by adequate documentation.
- Evaluated significant internal controls related to payroll expenditures, which included reviewing a judgmental sample of 5 payroll claims (5.21% of payroll claims in the population tested) to ensure:
 - Timesheets are accurate and are signed by the employee and supervisor,
 - The payroll claim was reviewed and approved, and
 - The payroll claim was supported by adequate documentation.
 - If direct deposit, include ensuring that the total payroll paid was compared and agreed to the payroll claim.

FINDINGS AND RECOMMENDATIONS

Finding 2016-004 – Inadequate Internal Controls and Noncompliance Over the Disbursement and Payroll Processes (Repeat Finding)

Condition: Upon inquiry and observation of the payroll disbursement process and although internal controls have been designed for independent oversight of enrolling new hires, making payroll changes, maintaining personnel files, and preparing end of month payroll reports, the internal controls could not be identified due to the lack of initials and dates of the employee who performed the duty and the employee or official who provided the independent oversight.

The audit of five (5) payroll claims, that included thirty-two (32) timesheets, reflected the following:

- Twelve (12) timesheets, for the month of July 2016, for the employees of the County Sheriff were not signed by the employee and a supervisor or the elected official.

Further, the audit of forty (40) disbursements reflected the following:

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- Five (5) instances were noted in which the disbursement was not properly encumbered prior to the receipt of goods and/or services.
- Two (2) instances were noted in which the disbursements were not supported by adequate documentation (i.e., receiving reports).

Cause of Condition: Policies and procedures have not been designed and implemented over the disbursement and payroll processes to strengthen internal controls and ensure compliance with state statutes.

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

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

- Posting new hires and/or making payroll changes to the payroll system,
- Maintaining personnel files, and
- Preparing end of month payroll reports.

In addition, OSAI recommends all timesheets be signed by the employee and approved by a supervisor or elected official.

Further, OSAI recommends all disbursements have adequate documentation (i.e., receiving reports) and be encumbered prior to receiving goods and/or services in accordance with 19 O.S. § 1505.

Management Response:

Chairman, Board of County Commissioners: 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 in accordance with Oklahoma Statutes. Further, we will work to improve segregation of duties with regards to payroll.

Current County Clerk: Permission to the former County Clerk for the encumbrance of funds after the receiving of goods was approved by the District Attorney. We are working to ensure all offices encumber funds prior to the receiving of goods and services. For the office of the County Clerk, we will encumber funds prior to the receiving of good and/or services. Further, we will make every effort to sign and date the preparing of payroll documents and sign/initial and date the review process.

County Sheriff: We have corrected these issues and make every effort to encumber funds prior to the receiving of good and/or services and to attach adequate documentation to support disbursements.

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District 2 County Commissioner: We will make every effort to encumber funds prior to the receiving of good and/or services and attach supporting documentation to each purchase order.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designed to analyze and check accuracy, completeness, and authorization of disbursement calculations and/or transactions.

An important aspect of internal control is the safeguarding of assets. Internal controls over safeguarding of assets constitute a process, affected by the entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or untimely detection of unauthorized acquisition, use, or disposition of the entity's assets and safeguarding assets from loss, damage, or misappropriation.

Title 19 O.S. § 1505 prescribes the procedures established for the requisition, purchase, lease-purchase, rental, and receipt of supplies, material, and equipment for maintenance, operation, and capital expenditures of county government.

All Objectives:

The following findings are not specific to any objective but are considered significant to all of the audit objectives.

Finding 2016-006 – Inadequate County-Wide Controls (Repeat Finding)

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

Cause of Condition: Policies and procedures have not been designed and implemented to address risks of the County.

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

Recommendation: OSAI recommends that the County design and implement procedures to identify and address risks. OSAI also recommends that the County design monitoring procedures to assess the quality of performance over time. These procedures should be written policies and procedures and could be included in the County's policies and procedures handbook.

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Management Response:

Chairman, Board of County Commissioners: The Board of County Commissioners is working to design and implement county-wide controls.

Criteria: Internal control is an integral component of an organization's management that provides reasonable assurance that the objectives of effectiveness and efficiency of operations, reliability of financial reporting and compliance with laws and regulations are being met. Internal control comprises the plans, methods, and procedures used to meet missions, goals, and objectives. Internal control also serves as the first line of defense in safeguarding assets and preventing and detecting errors and fraud. County management is responsible for designing a county-wide internal control system comprised of Risk Assessment and Monitoring for the achievement of these goals.

Risk Assessment is a component of internal control which should provide for an assessment of the risks the County faces from both internal and external sources. Once risks have been identified, they should be analyzed for their possible effect. Management then has to formulate an approach for risk management and decide upon the internal control activities required to mitigate those risks and achieve the internal control objectives.

Monitoring is a component of internal control which should assess the quality of performance over time and ensure that the findings of audits and other reviews are promptly resolved. Ongoing monitoring occurs during normal operations and includes regular management and supervisory activities, comparisons, reconciliations, and other actions people take in performing their duties. It includes ensuring that management know their responsibilities for internal control and the need to make control monitoring part of their regular operating process.

REPORT ON STATUTORY COMPLIANCE – OTHER MATTERS



Cindy Byrd, CPA | State Auditor & Inspector

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

Greer County
Board of County Commissioners
Greer County Courthouse
Mangum, Oklahoma 74738

Dear Chairman:

For the purpose of complying with 19 O.S. § 171 and 20 O.S. § 1312, we have performed statutory procedures regarding the following offices and departments for the fiscal year ended June 30, 2016:

- All County Offices - Fixed Assets procedures (19 O.S. § 178.1, 19 O.S. § 178.2, and 69 O.S. § 645).
- All County Offices - Consumable Inventories procedures (19 O.S. § 1502 and 19 O.S. § 1504).
- Court Clerk procedures (20 O.S. § 1304 and 19 O.S. § 220).
- Inmate Trust Fund procedures (19 O.S. § 531 and 19 O.S. § 180.43).

Our statutory compliance engagement was limited to the procedures related to the statutes above and was less in scope than an audit performed in accordance with generally accepted auditing standards. Accordingly, we do not express an opinion on any basic financial statement of Greer County.

Based on our procedures performed, we have presented our findings in the accompanying schedule.

This report is intended for the information and use of the management of the County. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

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

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

June 10, 2019



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SCHEDULE OF FINDINGS AND RESPONSES

Finding 2016-008 – Inadequate Internal Controls and Noncompliance Over the Inmate Trust Fund Checking Account and Sheriffs Commissary Fund (Repeat Finding)

Condition: An audit of the Inmate Trust Fund Checking Account and the Sheriff Commissary Fund reflected the following:

- Bank statements are not reconciled to the inmates' ledger balances monthly.
- An annual report for the Sheriff Commissary Fund is not filed annually with the Board of County Commissioners.

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 could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner. Further, these conditions resulted in noncompliance with state statute.

Recommendation: OSAI recommends inmate ledgers be reconciled to the bank statements on a monthly basis, and that the Sheriff's office file an annual report for the Commissary Fund with the Board of County Commissioners in accordance with 19 O.S. §180.43D.

Management Response:

County Sheriff: We are working to correct these issues.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designed to analyze and check accuracy, completeness, and authorization of disbursement calculations and/or transactions. To help ensure a proper accounting of funds, the duties of processing and authorizing should be segregated.

Title 19 O.S. § 180.43D. states in part, ... "The sheriff shall file an annual report on any said commissary under his or her operation no later than January 15 of each year."

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



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