

OPERATIONAL AUDIT

# CARTER COUNTY

For the fiscal year ended June 30, 2016



*Independently serving the citizens of  
Oklahoma by promoting the  
accountability and fiscal integrity of  
governmental funds.*



Oklahoma State  
Auditor & Inspector  
Gary A. Jones, CPA, CFE

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

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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](http://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.



# Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

December 15, 2017

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

Transmitted herewith is the audit report of Carter 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,

A handwritten signature in blue ink that reads "Gary A. Jones". The signature is written in a cursive style.

GARY A. JONES, CPA, CFE  
OKLAHOMA STATE AUDITOR & INSPECTOR

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

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**TABLE OF CONTENTS**

**OPERATIONAL AUDIT REPORT**

Introductory Section (Unaudited)

Statistical Information.....	ii
County Officials.....	iii
Ad Valorem Tax Distribution .....	iv
Sales Tax Distribution.....	v
Assessed Value of Property Trend Analysis .....	vi
County General Fund Analysis .....	vii
County Highway Fund Analysis .....	viii
 Presentation of Apportionments, Disbursements, and Cash Balances of County Funds for the Fiscal Year Ended June 30, 2016.....	 1
 Description of County Funds and Transfers .....	 2
 Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—County Health Department Fund.....	 5
 Purpose, Scope, and Sample Methodology.....	 6
 Objectives and Results of Operational Audit.....	 7

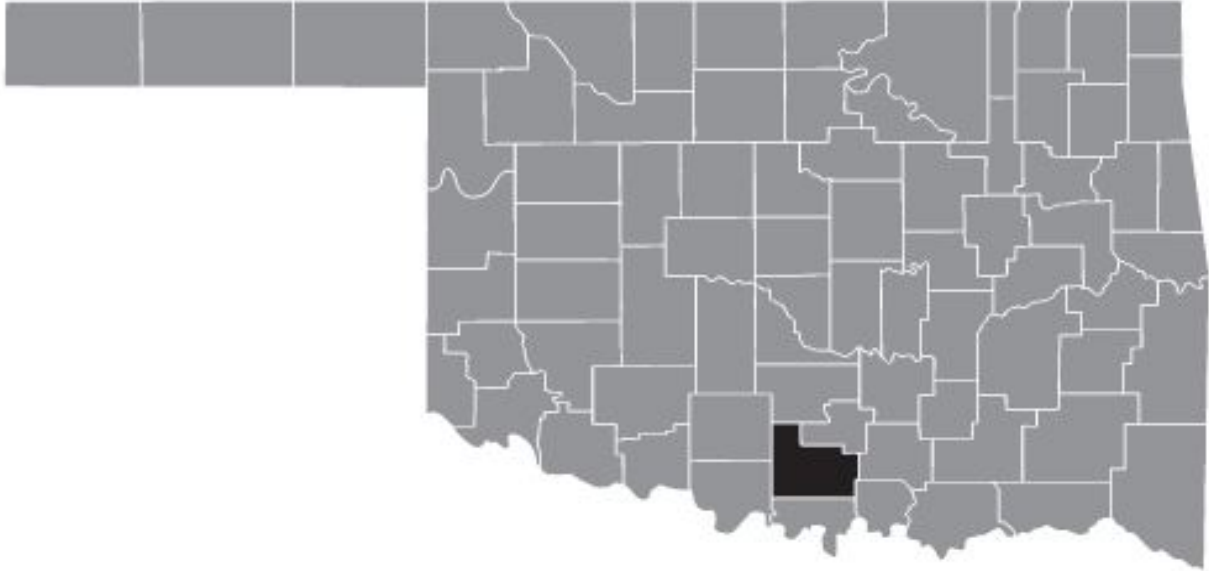
**REPORT ON STATUTORY COMPLIANCE - OTHER MATTERS**

Statutory Report.....	13
Schedule of Findings and Responses.....	14

**INTRODUCTORY SECTION**  
**UNAUDITED INFORMATION ON PAGES ii - viii**  
**PRESENTED FOR INFORMATIONAL PURPOSES ONLY**

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

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Carter County was formerly a part of Pickens County, Chickasaw Nation, Indian Territory. Named for a prominent early-day family, the county ranges from hilly, rugged terrain in the north, exemplified by the Arbuckle Mountains, to rolling plains with productive oil fields in the south.

Ardmore, the county seat, located midway between Dallas and Oklahoma City on Interstate 35, is the site of the Michelin North America Tire Plant, University Center of Southern Oklahoma, Southern Oklahoma Technology Center, and the Noble Foundation. The Joe Brown Co., Ultimar Diamond Shamrock, Bluebonnet Milling Co., Sunshine Industries, and major distribution centers for Best Buy and Dollar General are also located in Ardmore.

Healdton, located in western Carter County, was the site of the Healdton Field which, at its peak in 1916, produced an estimated 95,000 barrels of crude oil per day.

Lake Murray Resort, located seven miles south of Ardmore, offers recreational and conference facilities on a year-round basis. For additional county information, call the county clerk's office at 580/223-8162.

County Seat – Ardmore

Area – 833.72 Square Miles

County Population – 48,821  
(2014 est.)

Farms – 1,321

Land in Farms – 456,594 Acres

Primary Source: Oklahoma Almanac 2015-2016

**Board of County Commissioners**

District 1 – Joe David McReynolds  
District 2 – Kevin Robinson  
District 3 – Jerry Alvord

**County Assessor**

Kerry Ross

**County Clerk**

Cynthia Harmon

**County Sheriff**

Milton Anthony

**County Treasurer**

Marsha Collins

**Court Clerk**

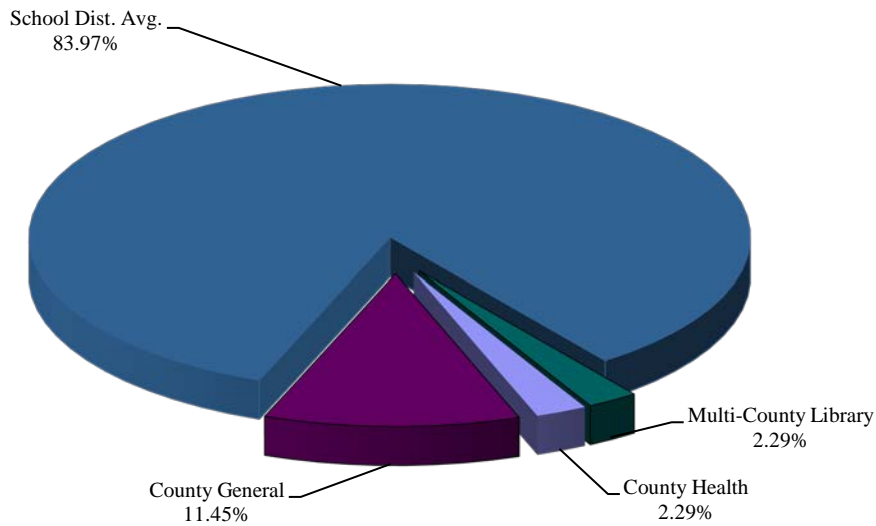
Karen Dunn

**District Attorney**

Craig Ladd

**CARTER COUNTY, OKLAHOMA  
AD VALOREM TAX DISTRIBUTION  
SHARE OF THE AVERAGE MILLAGE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the tax on that property is \$1.00. This chart shows the different entities of the County and their share of the various millages as authorized by the Constitution.



County-Wide Millages		School District Millages							
				Gen.	Bldg.	Skg.	Career Tech.	Common	Total
County General	10.32								
County Health	2.06	Ardmore	I-19	35.83	5.12	19.85	14.82	4.13	79.75
Multi-County Library	2.06	Springer	I-21	36.04	5.15	11.31	14.82	4.13	71.45
		Plainview	I-27	35.80	5.11	16.52	14.82	4.13	76.38
		Lone Grove	I-32	36.82	5.26	29.53	14.82	4.13	90.56
<u>Cities &amp; Towns</u>		Wilson	I-43	37.04	5.29	30.15	14.82	4.13	91.43
Ardmore Sinking	2.63	Healdton	I-55	36.74	5.25	16.69	14.82	4.13	77.63
		Zaneis	C-72	36.42	5.20	-	14.82	4.13	60.57
<u>Other</u>		Fox	I-74	36.18	5.17	8.46	14.82	4.13	68.76
EMS SD 43, 55, 72, 74	3.25	Dickson	I-77	37.20	5.31	18.14	14.82	4.13	79.60
		Murray County	I-10	35.94	5.13	4.85	14.82	4.13	64.87
		Stephens County	I-15	37.33	5.33	5.19	12.80	4.13	64.78
		Johnston County	C-7	35.53	5.08	10.17	14.82	4.13	69.73



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

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## **Sales Tax**

### **Sales Tax of November 2, 1999**

The voters of Carter County approved a 1/4 of 1% sales tax effective November 2, 1999. This sales tax does not expire. The sales tax was established to provide revenue for County Roads, Bridges, and Equipment; County General; and Law Enforcement. These funds are accounted for in the Sales Tax Revolving Fund.

### **Sales Tax of November 6, 2012**

The voters of Carter County approved a 1/4 of 1% sales tax effective November 6, 2012 for the purpose of providing funds for construction, reconstruction, maintenance, repair, or improvement of County roads and bridges within said County. This sales tax shall terminate within 5 years from its effective date. These funds are accounted for in the Sales Tax Revolving Fund.

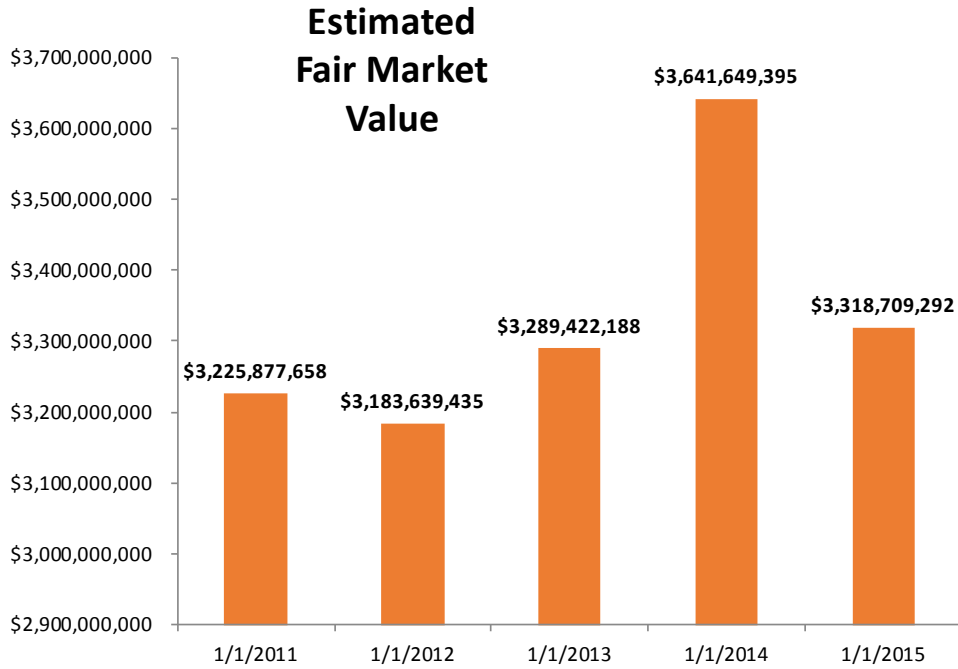
### **Sales Tax of November 6, 2012**

The voters of Carter County approved a 1/4 of 1% sales tax effective November 6, 2012 for the purpose of providing funds for technology equipment, and instructional and classroom materials for all common school districts wholly located within said Carter County, with proceeds allocated to the school districts based upon the average daily attendance (ADA) of those school districts wholly located within Carter County, as reported by the Oklahoma State Department of Education. This sales tax shall terminate within 5 years from its effective date. These funds are apportioned into the Sales Tax Revolving Fund, and then a warrant is issued to each school for their portion of the sales tax. These expenditures are not required, and do not follow the County Purchasing Act. The schools' independent audit is required to verify if funds are expended in accordance with the sales tax ballot.

During the fiscal year, the County collected \$5,971,058 in total sales tax.

**CARTER COUNTY, OKLAHOMA  
 ASSESSED VALUE OF PROPERTY  
 TREND ANALYSIS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2015	\$130,009,043	\$59,100,634	\$237,198,540	\$12,820,181	\$413,488,036	\$3,318,709,292
1/1/2014	\$177,649,033	\$60,254,533	\$227,705,376	\$12,757,751	\$452,851,191	\$3,641,649,395
1/1/2013	\$145,444,595	\$52,252,170	\$221,845,103	\$12,864,830	\$406,677,038	\$3,289,422,188
1/1/2012	\$117,485,461	\$54,110,676	\$236,133,206	\$13,118,245	\$394,611,098	\$3,183,639,435
1/1/2011	\$129,210,147	\$51,361,491	\$230,921,960	\$12,951,838	\$398,541,760	\$3,225,877,658

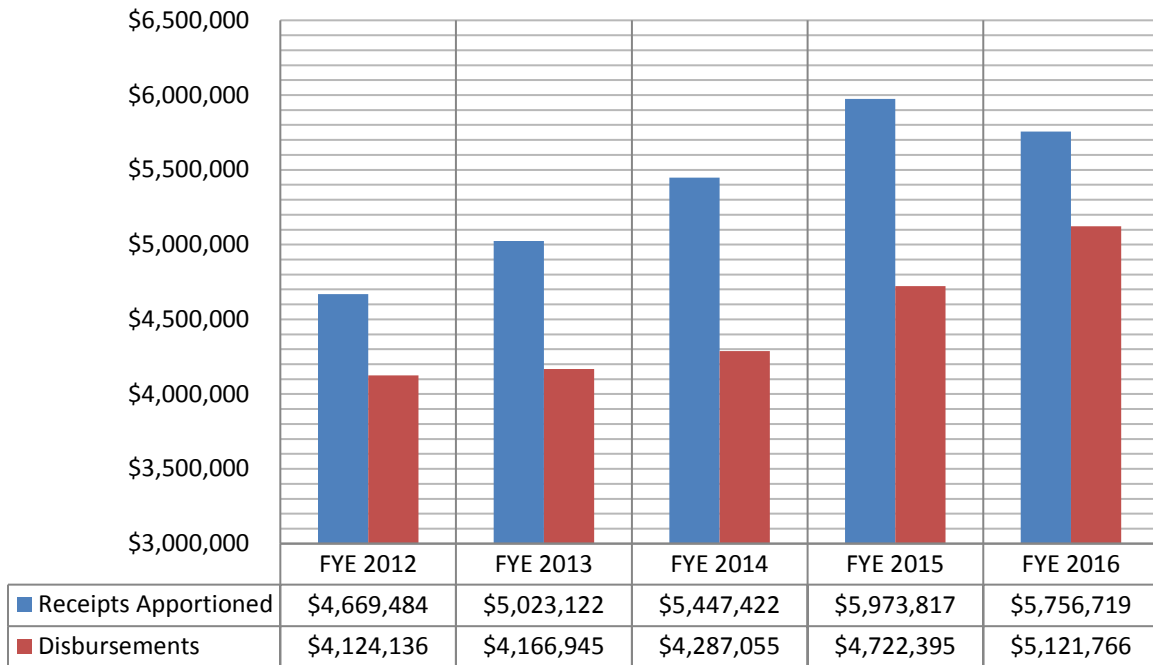


**CARTER COUNTY, OKLAHOMA  
COUNTY GENERAL FUND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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## County General Fund

The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also provides revenue for various budget accounts and accounts that support special services and programs. The Board of County Commissioners must review and approve all expenditures made from the County General Fund. The primary revenue source for the County General Fund is usually the county's ad valorem tax collected on real, personal (if applicable), and public service property. Smaller amounts of revenue can come from other sources such as fees, sales tax, use tax, state transfer payments, in-lieu taxes, and reimbursements. The chart below summarizes receipts and disbursements of the County's General Fund for the last five fiscal years.

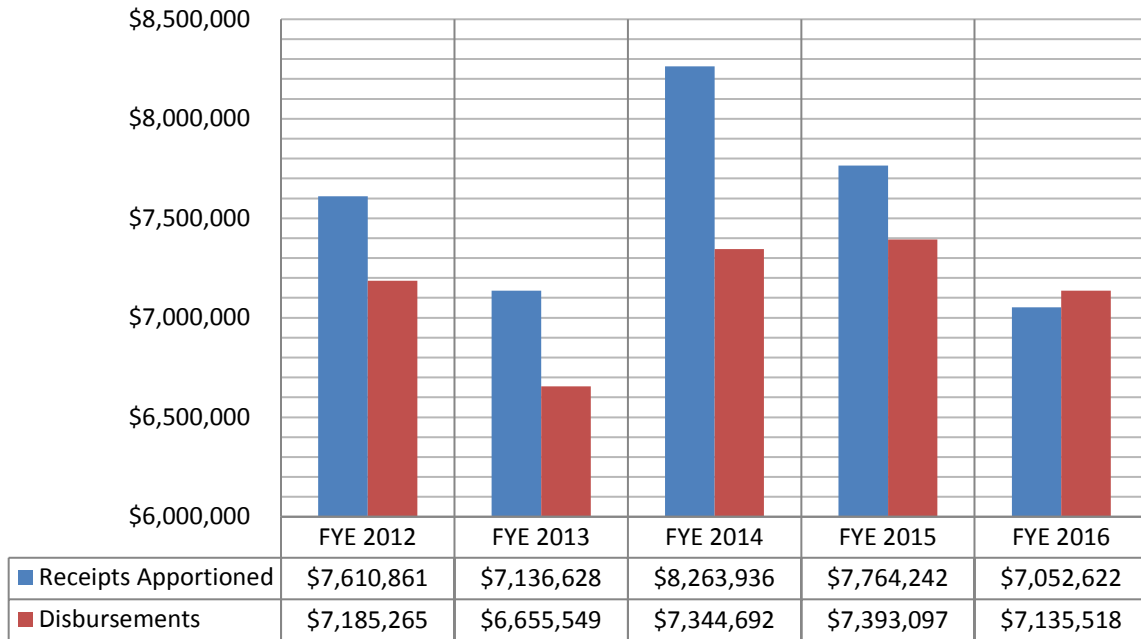


**CARTER COUNTY, OKLAHOMA  
COUNTY HIGHWAY FUND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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## County Highway Fund

The County receives major funding for roads and highways from a state imposed fuel tax. Taxes are collected by the Oklahoma Tax Commission. Taxes are imposed on all gasoline, diesel, and special fuel sales statewide. The County's share is determined on formulas based on the County population, road miles, and land area and is remitted to the County monthly. These funds are earmarked for roads and highways only and are accounted for in the County Highway Fund. The chart below summarizes receipts and disbursements of the County's Highway Fund for the last five fiscal years.



**CARTER COUNTY  
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 June 30, 2015	Receipts Apportioned	Transfer In	Transfer Out	Disbursements	Ending Cash Balances June 30, 2016
Combining Information:						
County Funds:						
County General Fund	\$ 5,507,771	\$ 5,756,719	\$ -	\$ -	\$ 5,121,766	\$ 6,142,724
County Highway Fund	6,915,467	7,052,622	-	-	7,135,518	6,832,571
County Sinking	3,472	-	-	-	-	3,472
Enhanced 911	225,394	228,801	-	-	156,151	298,044
Sales Tax Revolving Fund	8,453,722	6,210,020	-	-	4,427,695	10,236,047
County Health	1,002,301	1,141,625	-	-	811,964	1,331,962
County Bridge and Road Improvement Fund	1,260,292	312,782	-	-	45,053	1,528,021
CDBG Courthouse Renovations	1	-	-	-	-	1
Sheriff Commissary	61,117	196,910	-	-	194,649	63,378
Assessor Revolving	14,977	3,980	-	-	1,099	17,858
County Clerk Preservation	187,750	75,835	-	-	91,328	172,257
County Clerk Mechanic Liens	479,139	51,158	-	-	24,161	506,136
Sheriff Special Fee Account	141,846	208,278	-	-	220,875	129,249
Sheriff Board of Prisoners	694,073	847,593	-	-	905,453	636,213
Mortgage Certificate Fee	97,282	9,420	-	-	5,073	101,629
Resale Property	757,861	331,555	16,674	-	245,643	860,447
Energy and Renew Federal Grant	2,500	-	-	-	-	2,500
FEMA	48,058	52,640	-	-	38,358	62,340
Fire Department Sales Tax	2,252,907	1,173	-	-	23,951	2,230,129
County Roads and Improvements	546,149	435	-	-	-	546,584
Delinquency Prevention (Work Restitution)	1,480	-	-	-	-	1,480
Health Special Events	158	-	-	-	-	158
General Obligation Bond 2000	20,063	11	-	-	-	20,074
Sheriff Drug Enforcement	450	-	-	-	-	450
<b>Combined Total - All County Funds</b>	<b>\$ 28,674,230</b>	<b>\$ 22,481,557</b>	<b>\$ 16,674</b>	<b>\$ -</b>	<b>\$ 19,448,737</b>	<b>\$ 31,723,724</b>

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

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

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**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 are for the purpose of constructing and maintaining county roads and bridges.

County Sinking – accounts for monies collected from ad valorem taxes for payment of bonds or judgments against the County. The County has no long-term debt and this balance will eventually be transferred to the General Fund.

Enhanced 911 – accounts for state grant funds received and fees collected for the purpose of implementing a 911 service.

Sales Tax Revolving Fund – accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax ballot.

County 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 Improvements Fund – accounts for County Commissioners’ bridge and road funds and disbursements are for bridge and road projects.

CDBG Courthouse Renovations – accounts for grant monies received and disbursed as restricted by the grant agreement.

Sheriff Commissary – accounts for monies received from inmates for purchases from the County’s commissary and disbursements as restricted by state statute.

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

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

County Clerk Mechanic Liens – accounts for lien collections and disbursements as restricted by state statute.

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

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Sheriff Special Fee Account – revenues are from fees charged for serving summons and notices, and for processing services of the Sheriff’s office. Disbursements are for any lawful expense of the Sheriff’s office.

Sheriff Board of Prisoners – accounts for the monies received from the State of Oklahoma for the boarding and feeding of Department of Corrections’ prisoners.

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

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

Energy and Renew Federal Grant – accounts for monies collected from federal funds and disbursed for energy efficient windows for the courthouse and architectural fees.

FEMA – accounts for the collection of grant monies received from the Federal Emergency Management Agency and disbursed as restricted by the grant agreement.

Fire Department Sales Tax – accounts for the collection of sales tax to be disbursed for the Carter County fire departments.

County Roads and Improvements – accounts for state grant monies received from the Oklahoma Department of Transportation and disbursements are for road and bridge projects.

Delinquency Prevention (Work Restitution) – accounts for fines collected for tardiness at district court. Disbursements are restricted by order of the judge.

Health Special Events – accounts for donations received to host special health events not funded by the County.

General Obligation Bond 2000 – accounts for the excess proceeds for the sale of general obligation bonds for the Ardmore Development Authority. Disbursements may be made for the retirement of the bond obligation.

Sheriff Drug Enforcement – accounts for the collection of the Sheriff’s percentage of drug forfeitures and the disbursement of funds as restricted by state statute.

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

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**Interfund Transfer**

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

- \$16,674 was transferred from the Excess Resale fund (a trust and agency fund) to the Resale Property fund in accordance with 68 O.S. § 3131(C).



**CARTER 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**

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	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	1,002,301	1,002,301	-
Less: Prior Year Outstanding Warrants	(561)	(561)	-
Less: Prior Year Encumbrances	(61,939)	(57,491)	4,448
Beginning Cash Balances, Budgetary Basis	939,801	944,249	4,448
Receipts:			
Ad Valorem Taxes	774,453	848,533	74,080
Charges for Services	-	113,748	113,748
Intergovernmental Revenues	-	178,440	178,440
Miscellaneous Revenues	-	904	904
Total Receipts, Budgetary Basis	774,453	1,141,625	367,172
Expenditures:			
County Health Budget Account	1,714,254	883,028	831,226
Total Expenditures, Budgetary Basis	1,714,254	883,028	831,226
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	1,202,846	\$ 1,202,846
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		127,032	
Add: Current Year Outstanding Warrants		2,084	
Ending Cash Balance		\$ 1,331,962	

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

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

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**PURPOSE, SCOPE, AND SAMPLE 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,
- Observations of the County's operations,
- Reconciling total apportionments, disbursements, and balances presented on the County's Presentation of Apportionments, Disbursements, and Cash Balances of County Funds for the fiscal year to the County Treasurer's and County Clerk's financial ledgers,
- Confirming third party confirmations to the financial ledgers,
- Selecting representative samples to determine disbursements were made in accordance with state statutes, approved ballots, and county purchasing procedures, and
- Gaining an understanding of the County's internal controls as it relates to each audit objective.

To ensure the samples were representative of the population and provided sufficient, appropriate evidence, both random sample and judgmental sample methodologies 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.

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

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**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 or the FY 2016.

**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 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. However, we noted a deficiency in internal controls regarding the appropriation of the sales tax.

**FINDINGS AND RECOMMENDATIONS**

**Finding 2016-3 – Inadequate Internal Controls Over the Appropriation of County Sales Tax Collections**

**Condition:** Upon inquiry and observation of the recordkeeping process of collecting and expending county sales tax, it was noted the County Clerk is solely responsible for calculating and approving the appropriation of sales tax to the respective recipients as per the ballot.

**Cause of Condition:** Policies and procedures have not been designed and implemented to allow for the review of the accuracy of the calculation of sales tax proceeds to the various recipients, ensuring compliance with the sales tax ballot.

**Effect of Condition:** This condition could result in undetected errors, misappropriation of funds, inaccurate records, and incomplete information.

**Recommendation:** The Oklahoma State Auditor & Inspector's Office (OSAI) recommends internal controls be established to ensure accuracy of sales tax appropriations in accordance with the sales tax ballot approved by the county voters.

**Management Response:**

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

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**County Clerk:** We will work towards implementing internal controls to ensure accuracy of sales tax appropriations.

**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 disbursements and/or transactions. To help ensure a proper accounting of funds, the duties of calculating and approving appropriations should be segregated.

**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 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:** With respect to items tested, the County's internal controls provide reasonable assurance that expenditures, (including payroll) were accurately reported in the accounting records and financial operations complied with 19 O.S. § 1505, which requires that disbursements be properly supported and charged to the appropriate fund and account.

**All Objectives:**

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

**Finding 2016-1 - Inadequate County-Wide Controls (Repeat Finding)**

**Condition:** County-wide controls regarding Risk Assessment and Monitoring have not been designed.

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

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

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

**Recommendation:** OSAI recommends that the County design 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.

**Management Response:**

**BOCC Chairman, County Clerk, County Treasurer, County Assessor, County Sheriff, and Court Clerk:** The County officers will continue to work together towards assessing and identifying risks, and to develop a plan to monitor the County's internal controls to ensure that audit findings and other reviews are properly resolved.

**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.

**Finding 2016-2 – Lack of a Written Disaster Recovery Plan (Repeat Finding)**

**Condition:** The offices of the County Sheriff and the Board of County Commissioners do not have a written Disaster Recovery Plan.

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

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**Cause of Condition:** Policies and procedures have not been designed and implemented to prepare a formal Disaster Recovery Plan.

**Effect of Condition:** The failure to have a formal Disaster Recovery Plan could result in the County being unable to function in the event of a disaster. This condition could also result in the loss of data, and the unreliability of data.

**Recommendation:** OSAI recommends that each office develop a Disaster Recovery Plan that addresses how critical information and systems within their offices would be restored in the event of a disaster. The plan at a minimum should include the following:

- Current names, addresses, contact numbers of key county personnel and their roles and responsibilities of information services function.
- Listing of contracted service providers.
- Information on location of key resources, including back-up site for recovery operating system, application, data files, operating manuals and program/system/user documentation.
- Alternative work location once IT resources are available.

**Management Response:**

**BOCC Chairman:** We are currently working with our Officials to implement a Disaster Recovery Plan to address how the County's critical information and systems within each office would be restored in the event of a disaster.

**County Sheriff:** We are currently drafting a Disaster Recovery Plan.

**Criteria:** An important aspect of internal control is the safeguarding of assets which includes adequate Disaster Recovery Plans. Internal controls over safeguarding of assets constitute a process, affected by an entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention in a County being unable to function in the event of a disaster. Disaster Recovery Plan(s) are an integral part of county operations to ensure that business can be continued as usual in the event of a disaster. Each office or the county as a whole should have a current, detailed Disaster Recovery Plan on file and should be aware of its content.

According to the standards of the Information Systems Audit and Control Association (C0biT, Deliver and Support 4), information services function management should ensure that a written Disaster Recovery Plan is documented and contains guidelines and instructions for the County to follow in the event of a disaster.

**Other Item(s) Noted:**

Although not considered significant to the audit objectives, we feel the following issue should be communicated to management.

**Finding 2016-5 – Internal Controls and Noncompliance Over the General Fund Estimate of Needs**

**Condition:** Upon review of the County’s Estimate of Needs for the County General Fund for the fiscal year ending June 30, 2016, the following exceptions were noted:

- The County does not budget for any revenue other than ad valorem tax.
- Beginning fund balance and budgeted revenues exceeded appropriations by \$99,999.
- Warrants issued reflected on the budget could not be reconciled to disbursements; there was an unexplained variance of \$98,467.
- A budget to actual statement for the County General Fund could not be prepared based on the inadequate presentation of County General Fund information.

**Cause of Condition:** Policies and procedures have not been designed to ensure that the Estimate of Needs is accurately completed.

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

**Recommendation:** OSAI recommends the County review the Estimate of Needs prior to approval to ensure that all funds are accounted for and accurately presented. We further recommend the County budget for all re-occurring and probable revenue to determine if the County General Fund still requires a 10 mill levy.

**Management Response:**

**Chairman of the BOCC:** This issue will be discussed with our budget maker, and we will review the Estimate of Needs for completion prior to approval.

**Criteria:** The adopted budget is an expression of public policy and financial intent and is a method of providing controls over that intent. Effective internal controls as they relate to government entities financial reporting should assist in fulfilling government’s duty to be publicly accountable and should enable users’ access to that accountability by demonstrating whether resources were obtained and used in accordance with the entity’s adopted budget.

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

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Title 68 O.S. § 3002(A) states, Notwithstanding the provisions of the School District Budget Act, each board of county commissioners and the board of education of each school district, shall, prior to October 1 of each year, make, in writing, a financial statement, showing the true fiscal condition of their respective political subdivisions as of the close of the previous fiscal year ended June 30th, and shall make a written itemized statement of estimated needs and probable income from all sources including ad valorem tax for the current fiscal year. Such financial statement shall be supported by schedules or exhibits showing, by classes, the amount of all receipts and disbursements, and shall be sworn to as being true and correct. The statement of estimated needs shall be itemized so as to show, by classes: first, the several amounts necessary for the current expenses of the political subdivision and each officer and department thereof as submitted in compliance with the provisions of Section 3004 of this title; second, the amount required by law to be provided for sinking fund purposes; third, the probable income that will be received from all sources, including interest income and ad valorem taxes; and shall be detailed in form and amount so as to disclose the several items for which the excise board is authorized and required, by this article, to approve estimates and make appropriations.”



**REPORT ON STATUTORY COMPLIANCE – OTHER MATTERS**



# Oklahoma State Auditor & Inspector

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Carter County  
Board of County Commissioners  
Carter County Courthouse  
Ardmore, Oklahoma 73402

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 Carter 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 "Gary A. Jones".

GARY A. JONES, CPA, CFE  
OKLAHOMA STATE AUDITOR & INSPECTOR

December 13, 2017

**SCHEDULE OF FINDINGS AND RESPONSES**

**Finding 2016-7 - Inadequate Internal Controls Over the Inmate Trust Fund Checking Account  
(Repeat Finding)**

**Condition:** An audit of the Inmate Trust Fund Checking Account reflected the following:

- One employee performs all of the daily activity of the Inmate Trust Fund Checking Account such as issuing receipts, preparing and making bank deposits, posting payments to inmate records, issuing checks, and reconciling the bank statements.

**Cause of Condition:** Policies and procedures have not been designed and implemented to address the lack of segregation of duties concerning the Inmate Trust Fund Checking Account.

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

**Recommendation:** 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. Management should provide segregation of duties so that no one employee is able to perform all accounting functions.

**Management Response:**

**County Sheriff:** We will implement compensating controls to mitigate the risks involved with a concentration of duties.

**Criteria:** The overall goal of effective internal controls is to demonstrate accountability and stewardship. To help ensure a proper accounting of funds, no one individual should have the ability to authorize transactions, have physical custody of assets, and record transactions.



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