



CARTER COUNTY

Financial Report

For the fiscal year ended June 30, 2020

Cindy Byrd, CPA
State Auditor & Inspector

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

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Cindy Byrd, CPA | State Auditor & Inspector

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April 5, 2021

TO THE CITIZENS OF
CARTER COUNTY, OKLAHOMA

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

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

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

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

Sincerely,

A handwritten signature in blue ink that reads "Cindy Byrd". The signature is fluid and cursive, with the first and last names clearly legible.

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



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

Board of County Commissioners

District 1 – Joe David McReynolds
District 2 – William (Bill) Baker
District 3 – Jerry Alvord

County Assessor

Kerry Ross

County Clerk

Kayelyn Clubb

County Sheriff

Chris Bryant

County Treasurer

Marsha Collins

Court Clerk

Renee Bryant

District Attorney

Craig Ladd

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

TABLE OF CONTENTS

FINANCIAL SECTION

Report of State Auditor and Inspector	1
Financial Statement:	
Statement of Receipts, Disbursements, and Changes in Cash Balances—Regulatory Basis (with Combining Information).....	4
Notes to the Financial Statement.....	5

SUPPLEMENTARY INFORMATION

Comparative Schedule of Expenditures—Budget and Actual —Budgetary Basis—General Fund.....	12
Comparative Schedule of Expenditures—Budget and Actual— Budgetary Basis—Health Fund.....	13
Note to Supplementary Information.....	14

INTERNAL CONTROL AND COMPLIANCE SECTION

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	15
Schedule of Findings and Responses	17

FINANCIAL SECTION

Independent Auditor's Report

TO THE OFFICERS OF
CARTER COUNTY, OKLAHOMA

Report on the Financial Statement

We have audited the combined total—all county funds on the accompanying regulatory basis Statement of Receipts, Disbursements, and Changes in Cash Balances of Carter County, Oklahoma, as of and for the year ended June 30, 2020, and the related notes to the financial statement, which collectively comprise the County's basic financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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



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

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

As described in Note 1, the financial statement is prepared by Carter 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 Carter County as of June 30, 2020, or changes in financial position for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

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

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the combined total of all county funds on the financial statement. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statement.

The 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 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 March 29, 2021, on our consideration of Carter 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 Carter County's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Cindy Byrd". The signature is written in a cursive, flowing style.

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

March 29, 2021

REGULATORY BASIS FINANCIAL STATEMENT

CARTER COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS
(WITH COMBINING INFORMATION)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Beginning Cash Balances July 1, 2019	Receipts Appportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2020
Combining Information:						
County General	\$ 4,693,403	\$ 6,735,762	\$ 8	\$ -	\$ 7,086,894	\$ 4,342,279
County Highway Unrestricted	5,718,775	5,826,297	-	-	7,629,398	3,915,674
911 Phone Fees	451,881	280,520	-	-	187,219	545,182
Sales Tax Funds	15,844,487	2,292,695	-	8,262,864	2,048,169	7,826,149
Health	1,339,160	953,433	-	-	1,140,486	1,152,107
County Bridge and Road Improvement	2,359,126	547,785	-	-	-	2,906,911
Sheriff Commissary	46,983	118,990	-	-	140,177	25,796
Assessor Revolving Fee	14,723	2,726	-	-	614	16,835
County Clerk Records Management	339,136	112,620	-	-	222	451,534
County Clerk Lien Fee	707,036	73,761	-	-	59,739	721,058
Sheriff Service Fee	120,929	856,083	475,595	-	1,010,021	442,586
Sheriff Board of Prisoners	475,595	-	-	475,595	-	-
Treasurer Mortgage Certification	109,491	8,705	-	-	4,064	114,132
Resale Property	1,177,669	438,129	6,208	-	263,303	1,358,703
Rural Fire - ST	1,479,042	1,107,874	-	-	606,281	1,980,635
General Obligation Bond 2000	8	-	-	8	-	-
Sheriff Drug Buy	6,097	1,199	-	-	1,954	5,342
Court Clerk Payroll	6,711	230,621	-	-	229,966	7,366
Emergency Management	61,586	143,799	-	-	130,778	74,607
Use Tax - ST	-	333,892	-	-	-	333,892
Rural Road Improvement	550,066	2,559	-	-	-	552,625
Donations	-	8,573	-	-	-	8,573
Road & Bridge - ST	-	2,252,228	8,077,877	-	1,936,439	8,393,666
School Tax - ST	-	2,193,894	184,987	-	2,196,368	182,513
National Association of County & City Health	-	2,500	-	-	-	2,500
Drug Court	17,892	41,250	-	-	50,937	8,205
Combined Total - All County Funds	\$ 35,519,796	\$ 24,565,895	\$ 8,744,675	\$8,738,467	\$ 24,723,029	\$ 35,368,870

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

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

1. Summary of Significant Accounting Policies

A. Reporting Entity

Carter 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.

During the fiscal year ended June 30, 2020, the County converted to a new chart of accounts; therefore, several fund names and descriptions change. However, these changes do not reflect a change in the sources and uses of revenues over the prior fiscal year.

Following are descriptions of the county funds included as combining information 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.

911 Phone Fees – accounts for monies received from the telephone companies for operation of the emergency 911 services.

Sales Tax Funds – accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax resolution.

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

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 state receipts and disbursements are for bridge and road projects.

Sheriff Commissary – accounts for monies received from the commissary sales and disbursement of funds as restricted by state statute.

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

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

County Clerk Lien Fee – accounts for lien collections and disbursements 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 Board of Prisoners – accounts for the monies received for boarding and feeding of prisoners as restricted by state statute.

Treasurer Mortgage Certification – 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 the collection of interest, penalties, and fees on delinquent taxes, and the disposition of same as restricted by state statute.

Rural Fire – ST – accounts for the collection of sales tax revenue to be disbursed for the Carter County fire departments as restricted by the sales tax resolution.

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. This is interest only.

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

Court Clerk Payroll – accounts for funds deposited by the Court Clerk to be used for payroll expense for that office.

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

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

Use Tax – ST – accounts for collection of use tax revenue and the disbursements of funds as restricted by use tax resolution.

Rural Road Improvement – accounts for state grant monies received from the Oklahoma Department of Transportation and disbursements are for road and bridge projects.

Donations – accounts for donations received for special projects not funded by the County.

Road & Bridge – ST – accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax resolution.

School Tax – ST – accounts for the collection of sales tax revenue and the disbursements are to the schools located in the county as restricted by the sales tax resolution.

National Association of County & City Health – accounts for monies received from federal grant and disbursements as restricted by grant agreement.

Drug Court – accounts for monies received from the Oklahoma Department of Mental Health and Substance Abuse Services to be expended for the maintenance and operation of the Drug Court.

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 specifies the format and presentation for 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. 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.

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

D. Budget

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

E. Cash and Investments

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

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

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

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

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."

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

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

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

3. Other Information

A. Pension Plan

Plan Description. The County contributes to the Oklahoma Public Employees Retirement Plan (the Plan), a cost-sharing, multiple-employer defined benefit pension plan administered by the Oklahoma Public Employees Retirement System (OPERS). Benefit provisions are established and amended by the Oklahoma Legislature. The Plan provides retirement, disability, and death benefits to Plan members and beneficiaries. Title 74, Sections 901 through 943, as amended, establishes the provisions of the Plan. OPERS issues a publicly available financial report that includes financial statements and supplementary information. That report may be obtained by writing OPERS, P.O. Box 53007, Oklahoma City, Oklahoma 73105 or by calling 1-800-733-9008.

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

B. Other Post Employment Benefits (OPEB)

In addition to the pension benefits described in the Pension Plan note, OPERS provides post-retirement health care benefits of up to \$105 each for retirees who are members of an eligible group 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; although, the County expects such amounts, if any, to be immaterial.

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

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

D. Sales Tax

Sales Tax of August 10, 1999

The voters of Carter County approved a permanent one-quarter of one percent (1/4%) sales tax effective November 2, 1999. The revenue from the sales tax is to be used as follows: 33.34% for county roads, bridges, and equipment; 33.33% for county general; and 33.33% for law enforcement. This sales tax is accounted for in the Sales Tax Funds.

Sales Tax of October 10, 2017

The voters of Carter County approved a one-quarter of one percent (1/4%) sales tax, effective April 1, 2018 for a period of 5 years, ending March 31, 2023. This sales tax was established to provide revenue for technology equipment and instructional and classroom materials for all common school districts wholly located within Carter County, with proceeds allocated to the school districts based upon the average daily attendance (ADA) of those school districts as reported by the Oklahoma State Department of Education. This sales tax is accounted for in the School Tax – ST fund.

The voters of Carter County approved a continuance of the one-quarter of one percent (1/4%) sales tax effective April 1, 2018 for a period of 5 years, ending March 31, 2023. This sales tax was established to provide revenue for construction, reconstruction, maintenance, repair or improvement of County roads and bridges within Carter County. This sales tax is accounted for in the Road & Bridge – ST fund.

Sales Tax of November 6, 2018

The voters of Carter County approved a one-eighth of one percent (1/8%) sales tax, effective January 1, 2019 for a period of 5 years, ending December 31, 2024. This sales tax was established to provide revenue for the fire departments or districts as follows: Ardmore, Ardmore Air Park, Cringer Hills, Dickson, Dillard, Fox-Graham, Gene Autry, Healdton, Lone Grove, Ratliff City, Smokey Valley, Sneed, Springer, Tatums, Wilson and Woodford. This sales tax is accounted for in the Rural Fire – ST fund.

E. Interfund Transfers

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

- Residual balance of \$8 was transferred to County General fund from the General Obligation Bond 2000 fund by Board of County Commissioner (BOCC) Resolution to close out the fund.

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

- \$8,262,864 was transferred from the Sales Tax Funds to the following by BOCC Resolution to establish individual sales tax funds:
 - \$184,987 to the School Tax – ST fund.
 - \$8,077,877 to the Road & Bridge - ST fund.
- Residual balance of \$475,595 was transferred to Sheriff Service Fee fund from the Sheriff Board of Prisoners fund by BOCC Resolution to close the fund in accordance with 19 O.S. § 180.43.
- \$6,208 was transferred from the Excess Resale fund (a trust and agency fund) to the Resale Property fund in accordance with 68 O.S. § 3131C.

SUPPLEMENTARY INFORMATION

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

	General Fund		
	Budget	Actual	Variance
District Attorney - State	\$ 38,000	\$ 27,732	\$ 10,268
District Attorney - County	6,000	5,627	373
County Sheriff	2,345,537	2,203,258	142,279
County Treasurer	245,561	237,812	7,749
County Commissioners	306,002	258,384	47,618
County Commissioners O.S.U. Extension	97,540	77,289	20,251
County Clerk	802,789	779,447	23,342
Court Clerk	405,784	399,586	6,198
County Assessor	194,919	166,325	28,594
Revaluation of Real Property	649,840	610,744	39,096
General Government	4,470,824	2,199,742	2,271,082
Excise - Equalization Board	5,101	3,049	2,052
County Election Expense	120,430	117,542	2,888
County Audit Budget Account	135,000	85,569	49,431
County Cemetary Account	4,200	-	4,200
Free Fair Budget Account	5,000	5,000	-
Free Fair Improvement Account	700,000	-	700,000
Total Expenditures, Budgetary Basis	<u>\$ 10,532,527</u>	<u>\$ 7,177,106</u>	<u>\$ 3,355,421</u>

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

	Health Fund		
	Budget	Actual	Variance
Health and Welfare	\$ 1,967,072	\$ 1,268,651	\$ 698,421
Total Expenditures, Budgetary Basis	\$ 1,967,072	\$ 1,268,651	\$ 698,421

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

1. Budgetary Schedules

The Comparative Schedules of Expenditures—Budget and Actual—Budgetary Basis for the General Fund and the Health Fund present comparisons of the legally adopted budget with actual data. The "actual" data, as presented in the comparison of budget and actual, will differ from the data as presented in the Statement of Receipts, Disbursements, and Changes in Cash Balances (with Combining Information) 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.

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
CARTER COUNTY, OKLAHOMA

We have audited, in accordance with the 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 combined total—all funds of the accompanying Statement of Receipts, Disbursements, and Changes in Cash Balances (with Combining Information) of Carter County, Oklahoma, as of and for the year ended June 30, 2020, and the related notes to the financial statement, which collectively comprises Carter County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated March 29, 2021.

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 for the year ended June 30, 2020, on the basis of accounting prescribed by Oklahoma state law, described in Note 1.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered Carter County's internal control over financial reporting (internal control) to determine the 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 Carter County's internal control. Accordingly, we do not express an opinion on the effectiveness of Carter County's internal control.

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



Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be material weaknesses: 2020-001 and 2020-002.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Carter 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 determination of financial statement amounts. 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 responses as item 2020-002.

We noted certain matters regarding statutory compliance that we reported to the management of Carter County, which are included in Section 2 of the schedule of findings and responses contained in this report.

Carter County's Response to Findings

Carter County's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. Carter 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 the response.

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 result 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.

This report is also 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.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

March 29, 2021

**CARTER COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

SECTION 1—Findings related to the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Finding 2020-001 – Lack of County-Wide Internal Controls and Lack of Internal Controls Over Information Systems (Repeat Finding 2012-003, 2013-003, 2014-001, 2015-001, 2017-001, 2018-001, 2019-001)

Condition: In the assessment of county-wide internal controls, the following weaknesses was noted:

- County-wide internal controls regarding Risk Assessment, and Monitoring have not been designed.
- Upon review of the computer systems within the County Clerk's office, it was noted that there does not appear to be adequate controls in place to safeguard data from unauthorized modification, loss, or disclosure. The specifics of the condition have been sanitized to protect the County pursuant to the provision of 51 O.S. § 24A.28.

Cause of Condition: Policies and procedures have not been designed and implemented to address Risk Assessment and Monitoring in the County or to prevent unauthorized access to data.

Effect of Condition: Without an adequate system of county-wide controls, there is greater risk of a breakdown in control activities which could result in unrecorded transactions, undetected errors, or misappropriation of funds. Additionally, this condition could result in compromised security for computers, computer programs, and data. It also does not allow the County to function in the most effective manner possible

Recommendation: The Oklahoma State Auditor & Inspector's Office (OSAI) recommends that the County design and implement policies and procedures to document their internal control framework. This documentation should outline the importance of internal controls, the risk that the County has identified, the control activities established to address the risk, the steps taken to properly communicate pertinent information in a timely manner and the methodology to monitor the quality of performance over time. These procedures should be written policies and procedures and could be included in the County's policies and procedures handbook. OSAI further recommends the County comply with best practices presented in the criteria. The specifics of the recommendation has been sanitized to protect the County pursuant to the provision of 51 O.S. § 24A.28.

Management Response:

Chairman of the Board of County Commissioners: The Board of County Commissioners has since implemented and documented quarterly meetings with all elected officials to discuss and act regarding risk management and monitoring.

County Clerk: I will implement procedures and controls to correct the issue related to our computer system.

Criteria: The United States Government Accountability Office's (*Standards for Internal Control in the*

**CARTER COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Federal Government) (2014 version) aided in guiding our assessments and conclusion. Although this publication (GAO Standards) addresses controls in the federal government, this criterion can be treated as best practices and may be applied as a framework for an internal control system for state, local, and quasi-governmental entities.

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

Definition of Internal Control

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

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

Components, Principles, and Attributes

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

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

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

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

Further, according to the standards of the Information Systems Audit and Control Association (CobiT, Deliver and Support Ds5), the need to maintain the integrity of information and protect IT assets requires a security management process. This process includes establishing and maintaining IT security roles and responsibilities, policies, standards, and procedures. Security management also includes performing security monitoring and periodic testing and implementing corrective actions for identified security weaknesses or incidents. Effective security management protects all IT assets to minimize the business impact of security vulnerabilities and incidents.

Finding 2020-002 – Lack of Internal Controls and Noncompliance Over the Disbursement Process (Repeat Finding 2012-006, 2013-006, 2017-002, 2018-002, 2019-002)

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

- The Payroll Clerk enrolls new employees, inputs payroll information into the system, maintains personnel files, and prepares the OPERS reports and state and federal tax reports. In addition, the

**CARTER COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Payroll Clerk processes payroll claims, and prints and reviews payroll verification reports for errors.

- Warrants are printed with the electronic signature of the County Clerk and the Chairman of the Board of County Commissioners. The County Clerk's 1st Deputy initiates the electronic signature for the Chairman of the Board and for the County Clerk.

Further, the test of forty-two (42) purchase orders reflected the following:

- Two (2) purchase orders were not timely encumbered.
- One (1) purchase order did not have a receiving report attached.
- Four (4) purchase orders did not have a date and signature on the invoice indicating when it was received:
- Three (3) purchase orders were not listed on the expense verification report signed and approved by the BOCC and the purchase orders themselves did not have the signature approval of the BOCC.

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

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

Recommendation: OSAI recommends the County implement a system of internal controls over the disbursement process. Such controls should include ensuring that electronic signatures are initialed by the owner of said signature. Further, management should be aware of these conditions and determine if duties can be adequately segregated with regards to the payroll disbursement process. In the event 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.

Further, OSAI recommends the County implement a system of internal controls over the disbursement process to ensure compliance with purchasing statutes. Such controls should include ensuring that funds are encumbered prior to goods and services being ordered, proper documentation being attached, invoices being signed and dated, and that all purchase orders are included on the expense verification report.

Management Response:

Chairman of the Board of County Commissioners: The way I understand, we have purchased upgrades to the software system to greater ensure control of this situation. I will stress to Official's to be more diligent with the timely encumbering of funds and maintaining documentation.

County Clerk: We will work to implement segregation of duties for the payroll process and ensure that documentation is maintained for all disbursements as well as work with our software vendor to ensure controls over electronic signatures.

**CARTER COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Criteria: The United States Government Accountability Office's Standard (GAO Standards) – Principal 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, Principal 10 - Segregation of Duties states:

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

10.13 – Segregation of duties helps prevent fraud, waste, and abuse in the internal control system. Management considers the need to separate control activities related to authority, custody, and accounting of operations to achieve adequate segregation of duties. In particular, segregation of duties can address the risk of management override. Management override circumvents existing control activities and increases fraud risk. Management addresses this risk through segregation of duties but cannot absolutely prevent it because of the risk of collusion, where two or more employees act together to commit fraud.

10.14 – If segregation of duties is not practical within an operational process because of limited personnel or other factors, management designs alternative control activities to address the risk of fraud, waste, or abuse in the operational process.

Further, GAO Standards – Section 2 – Objectives of an Entity – OV2.23 states in part:

Compliance Objectives

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

Finally, GAO Standards – Principle 6 – Define Objectives and Risk Tolerances – 6.05 states:

Definitions of Objectives

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

**CARTER COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

incorporates these requirements into the entity's objectives. Management sets internal expectations and requirements through the established standards of conduct, oversight, structure, organizational structure, and expectations of competence as part of the control environment.

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

SECTION 2—This section contains certain matters not required to be reported in accordance with *Government Auditing Standards*. However, we believe these matters are significant enough to bring to management's attention. We recommend that management consider these matters and take appropriate corrective action.

Finding 2020-003 – Lack of Internal Controls Over Timely Posting of Paid Warrants (Repeat Finding 2019-003)

Condition: Upon the observation of records, we noted that warrants posted paid on the Treasurer's Payment Register as of June 30, 2020 were not posted to the County Clerk's purchase order software system until August 2020.

Cause of Condition: Policies and procedure have not been designed and implemented to ensure the posting process for warrants paid is performed each month.

Effect of Condition: This condition resulted in unrecorded paid transactions at June 30, 2020 and could result in misstated financial reports, undetected errors, and misappropriation of funds.

Recommendation: OSAI recommends the County Treasurer and County Clerk share information on a monthly basis to ensure all paid warrants are posted to both systems for an accurate reporting of paid county funds.

Management Response:

County Treasurer: We will follow-up with the County Clerk's office to watch more closely that they have posted paid warrants to their system.

County Clerk: We have visited with our software vendor to address this issue. We will ensure that paid warrants are posted on a monthly basis.

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

**CARTER COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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.

Further, GAO Standards - Principle 13 – Use Quality Information states: 13.04 states:

Relevant Data from Reliable Sources

Management obtains relevant data from reliable internal and external sources in a timely manner based on the identified information requirements. Relevant data have a logical connection with, or bearing upon, the identified information requirements. Reliable internal and external sources provide data that are reasonably free from error and bias and faithfully represent what they purport to represent. Management evaluates both internal and external sources of data for reliability. Sources of data can be operational, financial, or compliance related. Management obtains data on a timely basis so that they can be used for effective monitoring.

Finding 2020-011 – Lack of Internal Controls Over the Court Clerk Disbursements Processes (Repeat Finding 2012-010, 2013-009, 2019-011)

Condition: Upon inquiry and the observation of the Court Clerk's office, the following was noted:

- The Court Clerk is the sole preparer of Court Fund and Court Clerk Revolving Fund reports.
- The Court Clerk not only prepares the Court Fund and Court Clerk Revolving Fund claims but also prepares and mails the checks to vendors.

Cause of Condition: Policies and procedures have not been designed and implemented to separate duties over the reporting and disbursement processes of Court Fund and the Court Clerk Revolving Fund.

Effect of Condition: A single person having responsibility for more than one area of recording, authorization, custody of assets, and execution of transactions could result in the untimely detection of unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds.

Recommendation: OSAI recommends management be aware of these conditions and implement internal controls over the reporting and expenditure process to safeguard assets in compliance with 20 O.S. § 1304 and 19 O.S. § 220.A.

Management Response:

Court Clerk: We will work to correct these conditions.

**CARTER COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Criteria: The GAO Standards – Principal 10 – Design Control Activities – 10.03 states 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, Principal 10 - Segregation of Duties states:

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

10.13 – Segregation of duties helps prevent fraud, waste, and abuse in the internal control system. Management considers the need to separate control activities related to authority, custody, and accounting of operations to achieve adequate segregation of duties. In particular, segregation of duties can address the risk of management override. Management override circumvents existing control activities and increases fraud risk. Management addresses this risk through segregation of duties but cannot absolutely prevent it because of the risk of collusion, where two or more employees act together to commit fraud.

10.14 – If segregation of duties is not practical within an operational process because of limited personnel or other factors, management designs alternative control activities to address the risk of fraud, waste, or abuse in the operational process.

Title 20 O.S. § 1304 and 19 O.S. § 220.A provide guidance with regards to the expenditure process for the Court Fund and the Court Clerk Revolving Fund, respectively.



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