

COUNTY AUDIT

# CARTER COUNTY

For the fiscal year ended June 30, 2012



*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, OKLAHOMA  
FINANCIAL STATEMENT  
AND INDEPENDENT AUDITOR'S REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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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 Collection, pursuant to 74 O.S. § 3105.B.



# Oklahoma State Auditor & Inspector

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

September 25, 2014

TO THE CITIZENS OF  
CARTER COUNTY, OKLAHOMA

Transmitted herewith is the audit of Carter County, Oklahoma for the fiscal year ended June 30, 2012. 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, appearing to read "Gary A. Jones".

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

**CARTER COUNTY, OKLAHOMA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**CARTER COUNTY, OKLAHOMA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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INTERNAL CONTROL AND COMPLIANCE SECTION

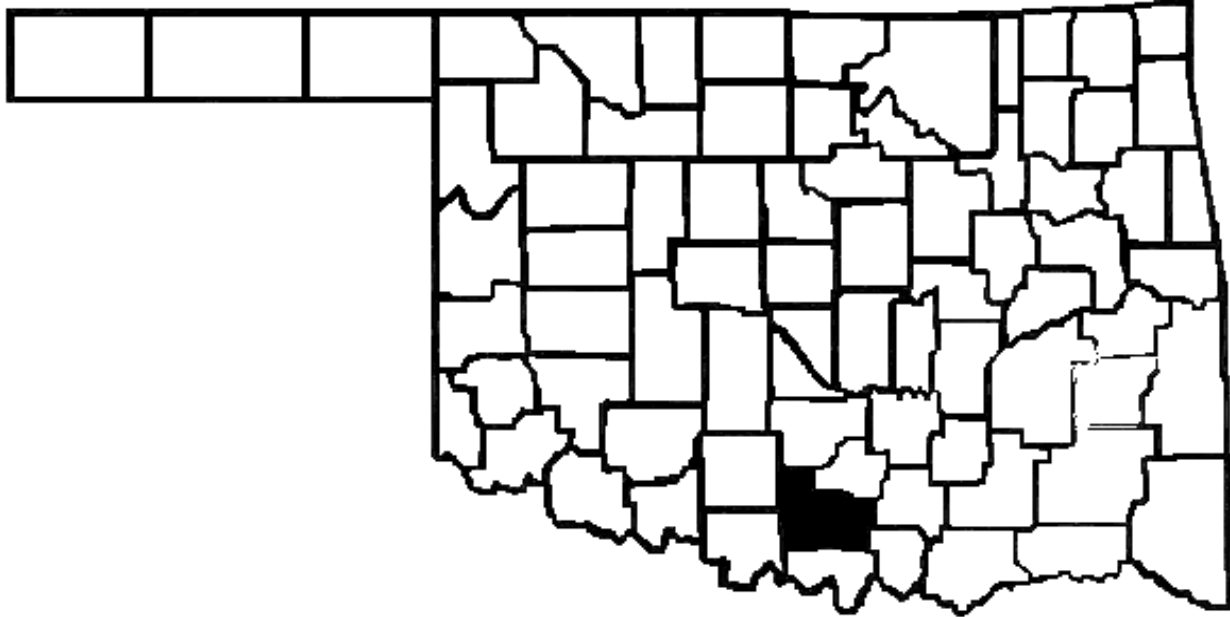
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PRESENTED FOR INFORMATIONAL PURPOSES ONLY**

**CARTER COUNTY, OKLAHOMA  
STATISTICAL INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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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, Ardmore Higher Education Center, Ardmore Area Vocational-Technical School, 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 – 48,326  
(2009 est.)

Farms – 1,426

Land in Farms – 402,831 Acres

Primary Source: Oklahoma Almanac 2011-2012

**CARTER COUNTY OFFICIALS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**Board of County Commissioners**

District 1 – Bill McLaughlin  
District 2 – Kevin Robinson  
District 3 – Dale Ott

**County Assessor**

Kim Cain

**County Clerk**

Cynthia Harmon

**County Sheriff**

Ken Grace

**County Treasurer**

LaDonna Miller

**Court Clerk**

Karen Volino

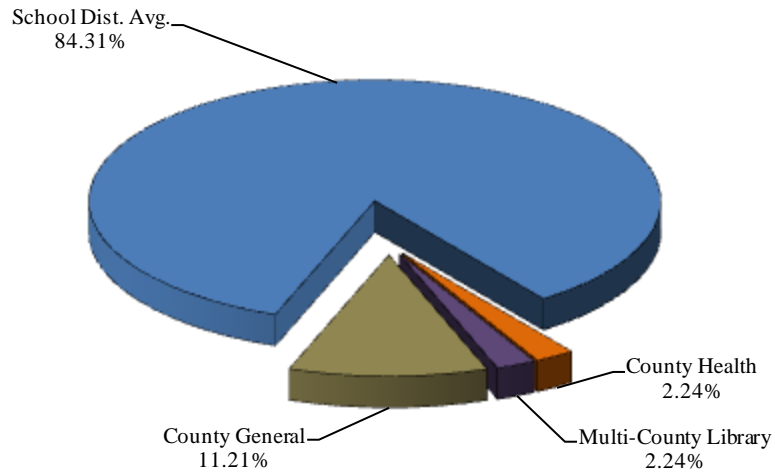
**District Attorney**

Craig Ladd



**CARTER COUNTY, OKLAHOMA  
AD VALOREM TAX DISTRIBUTION  
SHARE OF THE AVERAGE MILLAGE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

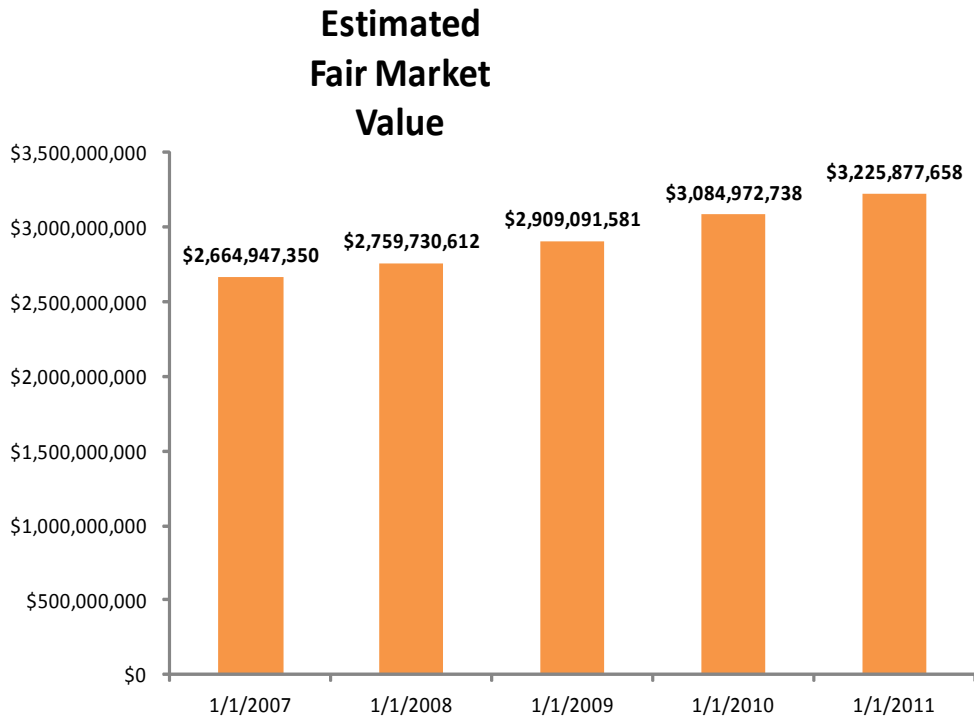
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the 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	-	15.81	4.13	60.89
Multi-County Library	2.06	Springer	I-21	36.04	5.15	15.92	15.81	4.13	77.05
		Plainview	I-27	35.80	5.11	17.63	15.81	4.13	78.48
Cities and Towns		Lone Grove	I-32	36.82	5.26	38.59	15.81	4.13	100.61
		Wilson	I-43	37.04	5.29	30.71	15.81	4.13	92.98
		Ardmore Sinking	1.49	Healdton	I-55	36.74	5.25	20.15	15.81
Other		Zaneis	I-72	36.42	5.20	-	15.81	4.13	61.56
		Fox	I-74	36.18	5.17	15.09	15.81	4.13	76.38
		Dickson	I-77	37.20	5.31	21.22	15.81	4.13	83.67
		EMS SD 43,55,72,74	3.25	Murray County	I-10	35.94	5.13	11.22	15.81
		Stephens County	I-15	37.33	5.33	3.16	12.80	4.13	62.75
		Johnston County	C-7	35.53	5.08	22.01	15.81	4.13	82.56

**CARTER COUNTY, OKLAHOMA  
 ASSESSED VALUE OF PROPERTY  
 TREND ANALYSIS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2011	\$129,210,147	\$51,361,491	\$230,921,960	\$12,951,838	\$398,541,760	\$3,225,877,658
1/1/2010	\$121,145,457	\$47,175,517	\$224,276,383	\$12,862,797	\$379,734,560	\$3,084,972,738
1/1/2009	\$109,721,122	\$45,933,536	\$215,247,223	\$11,759,716	\$359,142,165	\$2,909,091,581
1/1/2008	\$105,839,229	\$46,038,672	\$201,150,586	\$12,401,517	\$340,626,970	\$2,759,730,612
1/1/2007	\$107,921,364	\$45,770,555	\$187,835,265	\$12,287,333	\$329,239,851	\$2,664,947,350

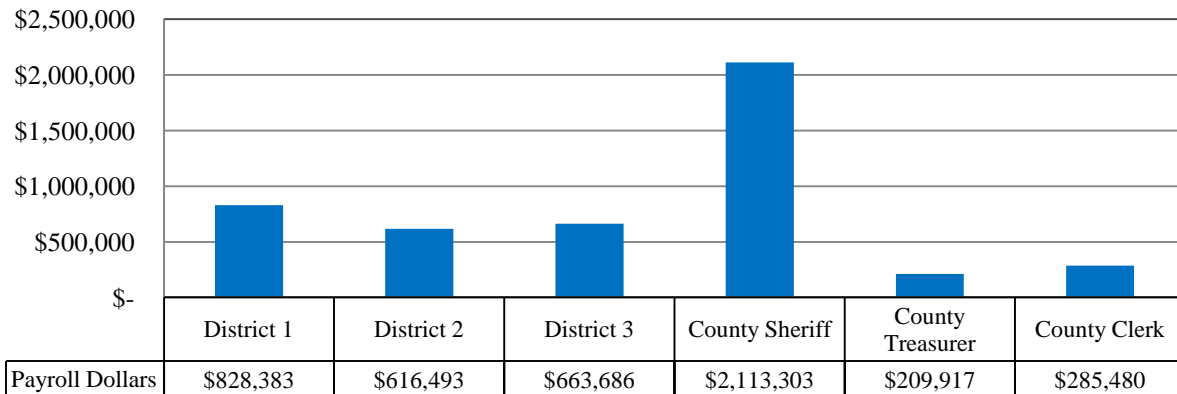


**CARTER COUNTY, OKLAHOMA  
COUNTY PAYROLL EXPENDITURES ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

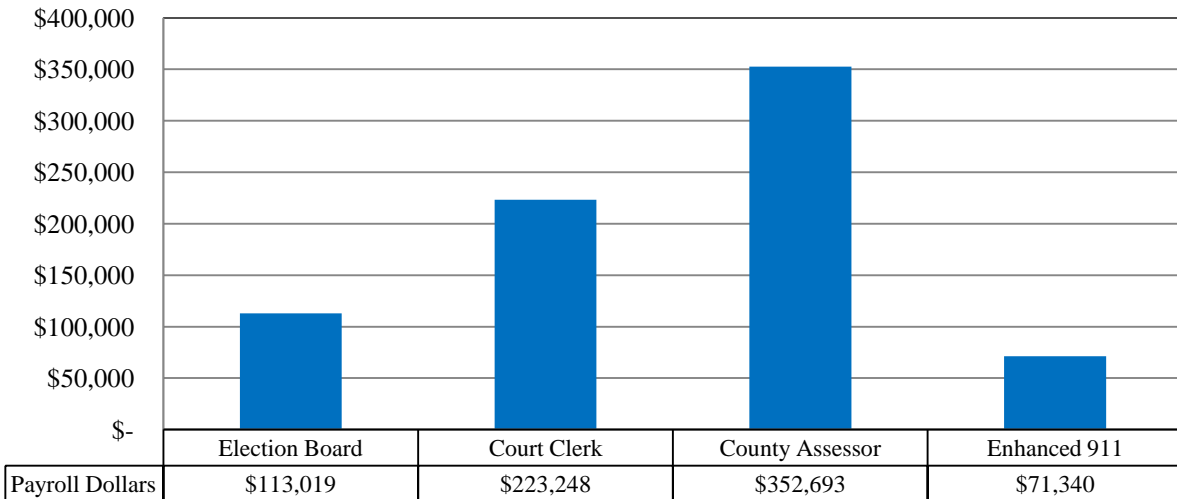
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County officers' salaries are based upon the assessed valuation and population of the counties. State statutes provide guidelines for establishing elected officers' salaries. The Board of County Commissioners sets the salaries for all elected county officials within the limits set by the statutes. The designated deputy or assistant's salary cannot exceed the principal officer's salary. Salaries for other deputies or assistants cannot exceed the principal officer's salary. The information presented below is for the fiscal year ended June 30, 2012.

**Payroll Expenditures by Department**



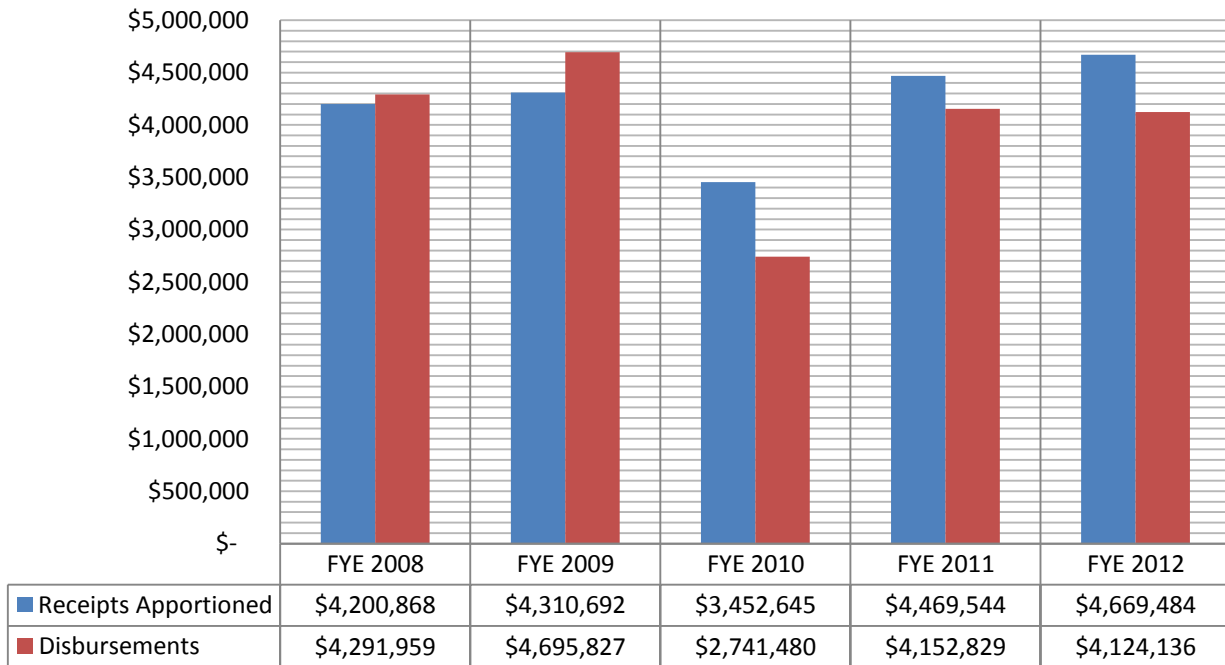
**Payroll Expenditures by Department**



**CARTER COUNTY, OKLAHOMA  
COUNTY GENERAL FUND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

## 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.

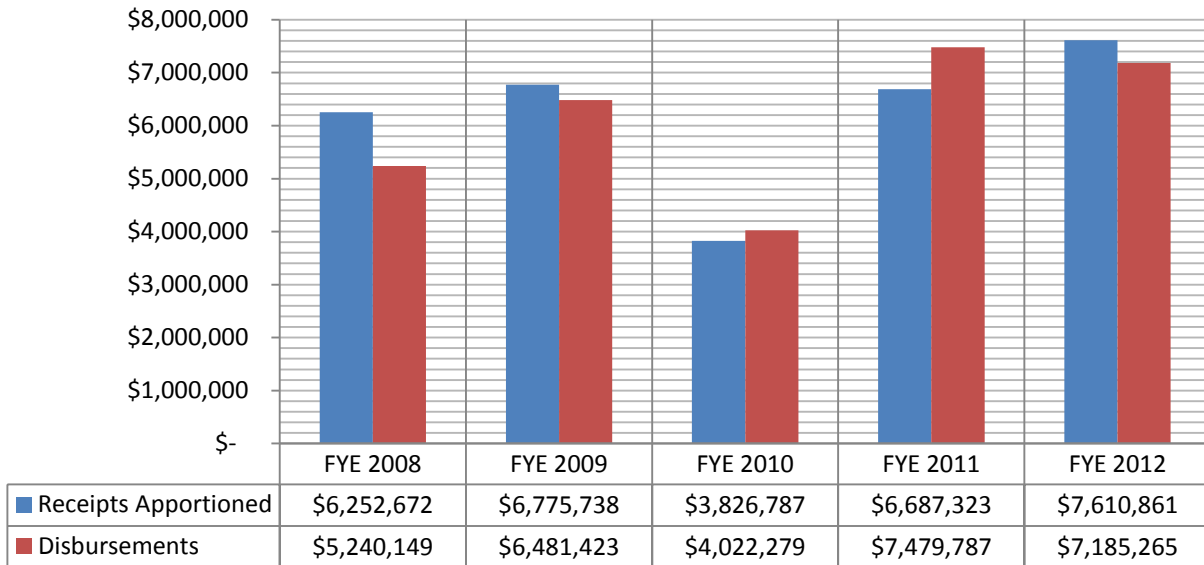


**CARTER COUNTY, OKLAHOMA  
COUNTY HIGHWAY FUND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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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.



**FINANCIAL SECTION**



# Oklahoma State Auditor & Inspector

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

## Independent Auditor's Report

TO THE OFFICERS OF  
CARTER COUNTY, OKLAHOMA

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, 2012, listed in the table of contents as the financial statement. This financial statement is the responsibility of Carter County's management. Our responsibility is to express an opinion on the combined total—all county funds 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, this financial statement was prepared using accounting practices prescribed or permitted by Oklahoma state law, which practices differ from accounting principles generally accepted in the United States of America. The differences between this regulatory basis of accounting and accounting principles generally accepted in the United States of America are also described in Note 1.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Carter County as of June 30, 2012, or changes in its financial position for the year then ended.

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, 2012, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2014, 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the combined total of all county funds on the financial statement. The Other 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. Such supplementary information has been subjected to the auditing procedures applied in the audit of the combined total—all county funds on the regulatory basis Statement of Receipts, Disbursements and Changes in Cash Balances and, in our opinion, is fairly stated, in all material respects, in relation to the combined total—all county funds. The information listed in the table of contents under Introductory Section has not been audited by us, and accordingly, we express no opinion on it.

A handwritten signature in blue ink, appearing to read "Gary A. Jones". The signature is fluid and cursive, with a long horizontal stroke at the end.

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

September 22, 2014



**REGULATORY BASIS FINANCIAL STATEMENT**

**CARTER COUNTY, OKLAHOMA  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH BALANCES—REGULATORY BASIS  
(WITH COMBINING INFORMATION)—MAJOR FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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	Beginning Cash Balances July 1, 2011	Receipts Apportioned	Transfers In	Disbursements	Ending Cash Balances June 30, 2012
Combining Information:					
Major Funds:					
County General Fund	\$ 1,694,457	\$ 4,669,484	\$ -	\$ 4,124,136	\$ 2,239,805
T-Highway	4,718,403	7,610,861	-	7,185,265	5,143,999
Sales Tax Revolving Fund	3,444,469	2,317,948	-	1,594,098	4,168,319
County Health	749,704	921,945	-	983,448	688,201
Resale Property	283,235	344,017	2,535	177,689	452,098
Fire Department Sales Tax	2,750,123	1,493,985	-	811,396	3,432,712
Sheriff Board of Prisoners	614,961	942,333	-	1,010,321	546,973
Sheriff Special Fee Account	180,182	211,918	-	239,998	152,102
County Sinking	3,472	-	-	-	3,472
Remaining Aggregate Funds	3,216,484	1,729,348	-	741,057	4,204,775
<b>Combined Total - All County Funds, as Restated</b>	<u>\$ 17,655,490</u>	<u>\$ 20,241,839</u>	<u>\$ 2,535</u>	<u>\$ 16,867,408</u>	<u>\$ 21,032,456</u>

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, 2012**

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**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.

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

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

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

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

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

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

**CARTER COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

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

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.

County Sinking – accounts for the payment of interest and principal on the matured portion of long-term bonded debt and civil judgments. Debt service receipts are derived generally from a special ad valorem tax levy and from interest earned on investments of cash not immediately required for debt service payments.

**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. All other funds included in the audit shall be presented in the aggregate in a combining statement.

**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.

**CARTER COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**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."

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. Unpaid real property taxes become a lien upon said property on October 1 of each year.

**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

**CARTER COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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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.

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. Long Term Obligations**

**1. General Obligation Bonds**

The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. The County issued general obligation bonds March 1, 2003. The general obligation bonds will be used for the construction and expansion of four manufacturing businesses: Southwest Silicon, Michelin, IMTEC, and MMI. These manufacturing companies will pay rent, which will be used to pay the interest and principle of the bonds upon maturity. The County has no tax levy for the retirement of these bonds. The bond payments are set up in a bank

**CARTER COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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account through a local financial institution and are not reflected on the County's general ledger.

General obligation bonds are direct obligations and pledge full faith and credit of the government. These bonds are required to be paid in full within 25 years from the date of issue. The General obligation bonds were paid off during the June 30, 2012 fiscal year.

**E. Sales Tax**

The voters of Carter County approved a 1/4 of 1% sales tax effective November, 1999. This sales tax does not expire. The sales tax was established to provide revenue for the following: 33.34% County Roads, Bridges, and Equipment; 33.33% County General; and 33.33% Law Enforcement. These funds are accounted for in the Sales Tax Revolving Fund.

The voters of Carter County also approved 1/4 of 1% sales tax on July 25, 2006 to be apportioned among the fire departments or districts as follows: Ardmore, Ardmore Air Park, Criner Hills, Dickson, Dillard, Fox-Graham, Gene Autry, Healdton, Lone Grove, Ratliff City, Sneed, Springer, Wilson, and Woodford. The sales tax will end on December 31, 2011. These funds are accounted for in the Fire Department Sales Tax fund.

**F. Interfund Transfers**

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

- \$2,535 was transferred from the Excess Resale Account, a trust and agency fund, to Resale Property for excess funds that were unclaimed from June 2008 and June 2009 Resale.

**G. Reclassification**

Due to the reclassification of funds for fiscal year ending June 30, 2012, the beginning balance as reported is different than the June 30, 2011 ending balance. The difference is due to a fund being reported as a county fund in fiscal year 2011 that should have been classified as a trust and agency fund, resulting in a decrease of \$2,715.

Prior year ending balance, as reported	\$17,658,205
Fund moved to trust and agency fund	<u>(2,715)</u>
Prior year ending balance, as restated	<u>\$17,655,490</u>

**OTHER SUPPLEMENTARY INFORMATION**



**CARTER COUNTY, OKLAHOMA**  
**COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND**  
**CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—**  
**GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 1,694,457	\$ 1,694,457	\$ -
Less: Prior Years Outstanding Warrants	(95,612)	(95,612)	-
Less: Prior Year Reserves	(21,482)	(20,931)	551
Beginning Cash Balances, Budgetary Basis	<u>1,577,363</u>	<u>1,577,914</u>	<u>551</u>
Receipts:			
Ad Valorem Taxes	3,437,759	3,444,191	6,432
Charges for Services	183,073	314,344	131,271
Intergovernmental Revenues	-	847,467	847,467
Miscellaneous Revenues	-	63,482	63,482
Total Receipts, Budgetary Basis	<u>3,620,832</u>	<u>4,669,484</u>	<u>1,048,652</u>
Expenditures:			
District Attorney - State	27,000	26,876	124
District Attorney - County	5,000	4,202	798
County Sheriff	1,932,707	1,825,138	107,569
County Treasurer	158,889	158,882	7
County Commissioners	36,003	30,849	5,154
County Commissioners OSU Extension	85,385	81,594	3,791
County Clerk	360,869	358,203	2,666
Court Clerk	340,360	339,372	988
County Assessor	130,873	130,601	272
Revaluation of Real Property	422,601	411,901	10,700
General Government	1,440,003	1,157,295	282,708
Excise-Equalization Board	5,101	2,614	2,487
County Election Expense	112,940	112,368	572
County Audit Budget Account	130,264	53,005	77,259
County Cemetary Account	5,200	4,400	800
Free Fair Budget Account	5,000	5,000	-
Total Expenditures, Budgetary Basis	<u>5,198,195</u>	<u>4,702,300</u>	<u>495,895</u>
Excess of Receipts and Beginning Cash			
Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	1,545,098	<u>\$ 1,545,098</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add Cancelled Warrants		320	
Add Current Year Outstanding Warrants		89,027	
Add Current Year Reserves		<u>605,360</u>	
Ending Cash Balance		<u>\$ 2,239,805</u>	

**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, 2012**

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	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 749,704	\$ 749,704	\$ -
Less: Prior Years Outstanding Warrants	(86,401)	(86,401)	-
Less: Prior Year Reserves	(140,148)	(56,553)	83,595
Beginning Cash Balances, Budgetary Basis	523,155	606,750	83,595
Receipts:			
Ad Valorem Taxes	686,219	686,642	423
Charges for Services	153,048	156,734	3,686
Intergovernmental	-	77,631	77,631
Miscellaneous Revenues	-	938	938
Total Receipts, Budgetary Basis	839,267	921,945	82,678
Expenditures:			
Health and Welfare	1,362,422	968,968	393,454
Total Expenditures, Budgetary Basis	1,362,422	968,968	393,454
Excess of Receipts and Beginning Cash Balances Over Disbursements, Budgetary Basis	\$ -	559,727	\$ 559,727
Reconciliation to Statement of Receipts Disbursements and Changes in Cash Balances:			
Add Current Year Reserves		127,911	
Add Current Year Outstanding Warrants		563	
Ending Cash Balance		\$ 688,201	

**CARTER COUNTY, OKLAHOMA**  
**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND**  
**CHANGES IN CASH BALANCES—REGULATORY BASIS—**  
**REMAINING AGGREGATE FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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	Beginning Cash Balances July 1, 2011	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2012
Remaining Aggregate Funds:				
Assessor Revolving	\$ 24,829	\$ 6,011	\$ 1,781	\$ 29,059
County Clerk Mechanic Liens	223,990	67,316	37,764	253,542
Sheriff Drug Enforcement	450	-	-	450
Mortgage Certificate Fee	77,285	9,515	5,677	81,123
FEMA	59,873	253,778	262,490	51,161
Work Restitution (Delinquency Prevention)	1,480	-	-	1,480
County Roads and Improvements	498,559	684	13,023	486,220
Health Special Events	9,127	-	2,767	6,360
Enhanced 911	175,062	238,403	194,087	219,378
Energy & Renew Federal Grant	2,500	-	-	2,500
County Clerk Preservation	286,369	86,435	88,552	284,252
Sheriff Commissary	61,495	143,062	120,315	84,242
CBRIF County Bridge & Road	1,775,483	924,115	14,601	2,684,997
CDBG Courthouse Renovations	1	-	-	1
GO Bond 2000	19,981	29	-	20,010
<b>Combined Total - Remaining Aggregate Funds</b>	<u>\$ 3,216,484</u>	<u>\$ 1,729,348</u>	<u>\$ 741,057</u>	<u>\$ 4,204,775</u>

**CARTER COUNTY, OKLAHOMA  
NOTES TO OTHER SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**1. Budgetary Schedules**

The Comparative Schedules of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis for the General Fund and the County Health Department 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 Combined 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.

**2. Remaining County Funds**

Remaining aggregate funds as presented on the financial statement are as follows:

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

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

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.

Mortgage Certificate 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.

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

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

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

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

**CARTER COUNTY, OKLAHOMA  
NOTES TO OTHER SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

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

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

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

CBRIF County Bridge & Road – 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.

GO 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.

**INTERNAL CONTROL AND COMPLIANCE SECTION**



# Oklahoma State Auditor & Inspector

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

## **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 the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Carter County, Oklahoma, as of and for the year ended June 30, 2012, which 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 September 22, 2014. Our report on the basic financial statement was adverse because the statement is not a presentation in conformity with 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, 2012, on the basis of accounting prescribed by Oklahoma state law, described in Note 1. 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.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Carter County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Carter County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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. We consider the deficiencies in internal control described in the accompanying schedule of findings and responses to be material weaknesses in internal control over financial reporting. 2012-3, 2012-5, and 2012-6.

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. We consider the deficiencies in internal control described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting. 2012-1, 2012-2, and 2012-9.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Carter County's financial statement is free of 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 2012-9.

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 responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit Carter County's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, those charged with governance, others within the entity and is not intended to be and should not be used by anyone other than the specified parties. 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.



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

September 22, 2014



**CARTER COUNTY, OKLAHOMA  
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**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 2012-1 – Inadequate Internal Controls Over Information Systems Security – County Treasurer and County Clerk**

**Condition:** Upon review of the computer systems within the offices of the County Treasurer and the County Clerk, it was noted that there does not appear to be adequate controls in place to safeguard data from unauthorized modification, loss, or disclosure. The following was noted:

- Passwords are not required to be changed periodically in the County Clerk’s or the County Treasurer’s office.

**Cause of Condition:** Policies and procedures have not been designed and implemented to prevent unauthorized access to data.

**Effect of Condition:** These conditions could result in compromised security for the computers, computer programs, and data.

**Recommendation:** The Oklahoma State Auditor & Inspector’s Office (OSAI) recommends the County work with IT personnel or in conjunction with software vendors to setup password requirements for length, character, and an expiration of a minimum of at least every ninety days.

**Management Response:**

**County Treasurer:** This has been corrected. Each employee is issued a security badge which has a unique password that is changed every ninety days.

**County Clerk:** We will get in contact with our software vendor about changing our computer passwords.

**Criteria:** According to the standards of the Information Systems Audit and Control Association (CobitT, 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.

**CARTER COUNTY, OKLAHOMA  
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**Finding 2012-2 – Written Disaster Recovery Plan**

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

**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. The lack of a formal plan could cause significant problems in ensuring County business could continue uninterrupted.

**Recommendation:** OSAI recommends that each elected official 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 locations once IT resources are available.

**Management Response:**

**County Commissioner, District 1, 2, and 3:** We will work with our Officials to implement a plan to address how the County's critical information and systems within each office would be restored in the event of a disaster.

**County Assessor, County Sheriff, and Court Clerk:** A Disaster Recovery Plan will be completed and filed with the County Clerk.

**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 (CobiT, 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.

**CARTER COUNTY, OKLAHOMA  
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**Finding 2012-3 – Inadequate County-Wide Controls**

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

**Cause of Condition:** Procedures have not been designed 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. 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 Board of County Commissioners will work together with all County Officials 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 made. 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.

**CARTER COUNTY, OKLAHOMA  
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**Finding 2012-5 – Inadequate Segregation of Duties Over Cash Receipts and Cash Balances**

**Condition:** We noted the following weaknesses regarding cash receipts and cash balances:

**County Treasurer’s Office:**

- There is no independent oversight of the accuracy of the compilation of the County Treasurer’s monthly reports.
- Bank statement reconciliations are not independently reviewed.
- All employees open mail and a mail log is not maintained.
- The County Treasurer’s office maintains three (3) cash drawers; however, all deputies can work from each drawer.

**County Clerk’s Office:**

- The County Clerk’s office maintains one cash drawer. All employees in the office have access to the cash drawer and issue receipts. Receipts are computer generated in sequential order. One of the employees balances receipts and cash to the system generated reconciliation sheet, prepares the deposit, and delivers it to the County Treasurer. Each day this same employee processes the mail; however, no mail log is maintained.

**Cause of Condition:** In order to provide prompt services to citizens of Carter County and for ease of operations, the County offices utilize all employees to issue receipts. Additionally, due to the limited number of personnel, one individual is sometimes responsible for all the key functions of the office. Policies and procedures have not been designed and implemented to address the lack of segregation of duties.

**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 unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner.

**Recommendation:** OSAI recommends management be aware of these conditions and realize that concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective controls lie in management's knowledge of office operations and a periodic review of operations. OSAI recommends management provide segregation of duties so that no one employee is able to perform all accounting functions. 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.

**Management Response:**

**County Treasurer and County Clerk:** Management is aware of this condition and will work to implement compensating controls to mitigate the risk involved with a concentration of duties.

**CARTER COUNTY, OKLAHOMA  
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**Criteria:** Effective internal controls require that key functions within a process be adequately segregated to allow for prevention and detection of errors and possible misappropriation of funds.

**Finding 2012-6 – Inadequate Internal Controls Over the Disbursement Process**

**Condition:** Upon inquiry and observation of the County’s payroll process, it was noted that the Payroll Clerk enrolls new hires, makes payroll changes, runs verification reports, prints payroll checks, distributes payroll checks, and maintains personnel files. Also, upon inquiry and observation of the County’s purchasing process, it was noted that the Purchasing Agent solely performs duties of encumbering funds, compares supporting documentation, and initiates payments for claims.

**Cause of Condition:** Policies and procedures have not been designed with regard to segregation of duties and/or compensating controls over the disbursement process.

**Effect of Condition:** These conditions could result in unrecorded transactions, misstated financial reports, undetected errors, and misappropriation of funds.

**Recommendation:** OSAI recommends management be aware of these conditions and determine if duties can be properly 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.

Further, the duties of encumbering funds and posting to the ledgers should be separated from the printing and distribution of payments.

**Management Response:**

**County Clerk:** Compensating controls over purchasing will be implemented. Also, The key payroll processes will be separated where possible. All reviews will be documented and dated.

**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 payroll calculations and/or transactions. To help ensure a proper accounting of funds, the duties of processing, authorizing, and payroll distribution should be segregated.

**Finding 2012-9 – Inadequate Internal Controls Over Pledged Collateral and Noncompliance with State Statute**

**Condition:** Upon inquiry of County personnel, observation, and review of documents regarding the pledged collateral process, the following was noted:

**CARTER COUNTY, OKLAHOMA  
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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- Pledged collateral amounts are not monitored to daily bank balances to ensure that County funds are adequately secured.
- The County Treasurer is using the Original Face Value pledge amount rather than the Market Value to determine that the County is adequately pledged.

Furthermore, the County funds were not adequately secured with pledged collateral at one financial institution for the following days:

- For the month of December, 2011 funds were under-collateralized for the following days:
  - December 7, 2011 by \$246,493.53; December 8, 2011 by \$714,239.44; December 9, 2011 by \$464,670.49; and December 21, 2011 by \$189,598.19.
- For the month of January, 2012 funds were under-collateralized for the following days:
  - January 10, 2012 by \$246,886.85; January 11, 2012 by \$127,698.29; and January 12, 2012 by \$136,130.76.

**Cause of Condition:** Policies and procedures have not been designed regarding monitoring of pledged collateral.

**Effect of Condition:** These conditions resulted in noncompliance with state statute and unsecured County funds and could result in possible loss of County funds.

**Recommendation:** OSAI recommends the County Treasurer document the monitoring of the daily bank balances to the pledged collateral to provide reasonable assurance that assets are adequately safeguarded. Documentation for this daily procedure should be maintained.

**Management Response:**

**County Treasurer:** This occurred during heavy tax collections; I will look into performing two apportionments during heavy tax collection season to ensure that County funds are adequately pledged with collateral.

**Criteria:** Title 62 O.S. § 517.4(A) states, “A treasurer of a public entity shall require that financial institutions deposit collateral securities or instruments to secure the deposits of the public entity in each such institution. The amount of collateral securities or instruments to be pledged for the security of public deposits shall be established by the treasurer of the public entity consistent with the provisions of the Security for Local Public Deposits Act; provided, such amount shall not be less than the amount of the deposit to be secured, less the amount insured.”

Further, effective internal controls would include monitoring the daily bank balances to the amount of securities pledged to protect the County against loss of investments.

**CARTER COUNTY, OKLAHOMA  
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**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 2012-10 – Inadequate Segregation of Duties - Court Clerk**

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

- The Court Clerk is the sole preparer of the Court Clerk Revolving Fund and the Court Fund reports.
- The Court Clerk prepares the claims, and prepares and mails the checks to vendors.
- There is also no independent review of the deposit before or after it is taken to the Treasurer.

**Cause of Condition:** Procedures have not been implemented to ensure adequate segregation of duties regarding the expenditures and reporting of the Court Clerk Revolving Fund and Court Fund.

**Effect of Condition:** These conditions could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of funds.

**Recommendation:** OSAI recommends that management be aware of these conditions and determine if duties can be properly segregated. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risk is 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.

**Management Response:**

**Court Clerk:** We will implement compensating controls to mitigate the risks involved with a concentration of duties. I will have a deputy verify the claims and have the Treasurer sign and date the end of the month report to document that the balance agrees with the ledger. I will also review all claims to ensure compliance with state statute.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, the duties of preparing the claim, attaching and agreeing supporting documentation, certifying receipt of goods/services, signing the claim, and preparing and signing the checks should be segregated.

**Finding 2012-14 – Inadequate Internal Controls and Noncompliance Over the Inmate Trust and Sheriff Commissary Funds**

**Condition:** An examination of the Inmate Trust and Sheriff Commissary Funds reflected the following weaknesses:

**CARTER COUNTY, OKLAHOMA  
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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- One employee, the Commissary Administrator, performs all of the daily activity in the Inmate Trust Fund such as issuing receipts, preparing and making the bank deposits, posting payments, preparing inmate reports and reconciling the bank statement.
- The Sheriff's office did not file an annual report for the Sheriff Commissary Fund with the Board of County Commissioners by January 15th of each year.
- Expenditures were made from the Inmate Trust Fund to the following unusual payees:
  - Court Clerk for inmate's bond fee
  - Ardmore Police Department for inmate's fine
  - Release of funds to multiple bondsmen
  - Money returned to sender upon inmate's release

**Cause of Condition:** Policies and procedures have not been designed regarding the Inmate Trust and Sheriff Commissary Funds.

**Effect of Condition:** These conditions resulted in noncompliance with statutes, laws, regulations or legislative intent. Also, without proper segregation of duties over the Inmate Trust Account, there is an increased risk of unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of funds.

**Recommendation:** OSAI recommends the following:

- Key duties and responsibilities should be segregated among different individuals to reduce the risk of error or fraud. No one individual should have the ability to authorize transactions, have physical custody of assets, and record transactions.
- The Sheriff should file a report of the commissary with the County Commissioners by January 15th, of each year in accordance with 19 O.S. § 180.43.
- Expenditures should be made from the Inmate Trust Fund in accordance with 19 O.S. § 531(A).

**Management Response:**

**County Sheriff:** We will implement compensating controls to mitigate the risks involved with a concentration of duties. Inmate Trust Fund checks will only be issued to refund monies to inmates or to transfer funds to the Sheriff Commissary Fund for inmate expenditures. We will work on completing and filing a commissary report with the BOCC by January 15<sup>th</sup> of each year.

**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. All collections should be receipted in sequential order and deposited daily, two authorized signatures should be required on all Inmate Trust account checks, bank reconciliations should be performed each month, and contracts should be approved by the Board of County Commissioners, contain all pertinent information, and be on file with the County.

Title 19 O.S. § 180.43(E) and (D) states in part, "Any funds received pursuant to said operations shall be the funds of the county where the persons are incarcerated and shall be deposited in the Sheriff's Commissary Account. The sheriff shall be permitted to



**CARTER COUNTY, OKLAHOMA  
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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expend the funds to improve or provide jail services. The sheriff shall be permitted to expend any surplus in the Sheriff's Commissary Account for administering expenses for training equipment, travel, or for capital expenditures. The claims for expenses shall be filed with and allowed by the board of county commissioners in the same manner as other claims. The Sheriff shall receive no compensation for the operation of said commissary. The sheriff shall file an annual report on any said commissary under his or her operation no later than January 15 of each year."

Title 19 O.S. § 531(A) states in part, "The county sheriff may establish a checking account, to be designated the "Inmate Trust Checking Account." The county sheriff shall deposit all monies collected from inmates incarcerated in the county jail into this checking account and may write checks to the Sheriff's Commissary Account for purchases made by the inmate during his or her incarceration and to the inmate from unencumbered balances due the inmate upon his or her discharge."

**Finding 2012-15 – Inadequate Internal Controls and Noncompliance Over Fixed Assets Inventory**

**Condition:** Upon inquiry and observation of fixed assets, the following weaknesses were noted:

- The County has not designed procedures to perform and document an annual physical inventory of all fixed assets.

Additionally, we selected a sample of eighty-nine fixed asset items from the inventory records and visually verified each item. Of the eighty-nine fixed asset items tested, the following three items were not in the County's possession:

Office	Asset Number	Description
County Sheriff	359-07	Food Processor
County Sheriff	359-15	Ice Machine
County Sheriff	359-48	Dishwasher

**Cause of Condition:** Procedures have not been designed and implemented with regard to effective internal controls over safeguarding of fixed assets by performing an annual physical inventory count, and creating and maintaining of a fixed assets inventory records.

**Effect of Condition:** Failure to maintain accurate records of fixed asset inventories and perform a periodic physical inventory of fixed asset inventories could result in inaccurate records, unauthorized use, or misappropriation of fixed asset inventories.

**Recommendation:** OSAI recommends the County comply with 19 O.S. § 178.1 by performing and documenting a periodic inventory of fixed assets. The verification should be performed by an individual independent of the fixed asset recordkeeping process.

**CARTER COUNTY, OKLAHOMA  
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**Management Response:**

**County Commissioner District 1, 2, & 3:** We will perform an annual inventory count and retain documentation.

**County Clerk:** We will maintain documentation of the physical inventory in the future.

**County Sheriff:** We will perform an annual inventory count and retain documentation. We will update inventory records to indicate the disposition of the three items noted.

**County Treasurer:** We will maintain documentation of the physical inventory in the future.

**Court Clerk:** We will maintain documentation of the physical inventory in the future.

**County Assessor:** We will maintain documentation of the physical inventory in the future.

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

Title 19 O.S. § 178.1 states in part, "The board of county commissioners in each county of this state shall take, or cause to be taken, an inventory of all working tools, apparatus, machinery and equipment belonging to the county or leased or otherwise let to it or to any department thereof, other than that which is affixed to and made apart of lands and buildings, the cost of which as to each complete working unit thereof is more than Five Hundred Dollars (\$500.00), and therefore maintain or cause to be maintained a continuous inventory record thereof and of like tools, apparatus, machinery and equipment purchased, leased, or otherwise coming into custody of the county or of any office, board, department, commission or any either thereof, and the disposition thereof whether sold, exchanged, leased, or let where authorized by statute, junked, strayed or stolen and annually thereafter...."



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