

COUNTY AUDIT

CARTER COUNTY

For the fiscal year ended June 30, 2013



*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, 2013**

This publication, issued by the Oklahoma State Auditor and Inspector's Office as authorized by 19 O.S. § 171, has not been printed, but is available on the agency's website (www.sai.ok.gov) and in the Oklahoma Department of Libraries Publications Clearinghouse Digital 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, 2013. 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, 2013**

TABLE OF CONTENTS

INTRODUCTORY SECTION (Unaudited)

Statistical Information.....	iii
County Officials.....	iv
Ad Valorem Tax Distribution	v
Assessed Value of Property Trend Analysis.....	vi
County Payroll Expenditures Analysis	vii
County General Fund Analysis	viii
County Highway Fund Analysis	ix

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)—Major Funds.....	4
Notes to the Financial Statement.....	5

OTHER SUPPLEMENTARY INFORMATION

Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—General Fund.....	10
Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—County Health Department Fund	11
Combining Statement of Receipts, Disbursements, and Changes in Cash Balances—Regulatory Basis—Remaining Aggregate Funds	12
Notes to Other Supplementary Information	13

**CARTER COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

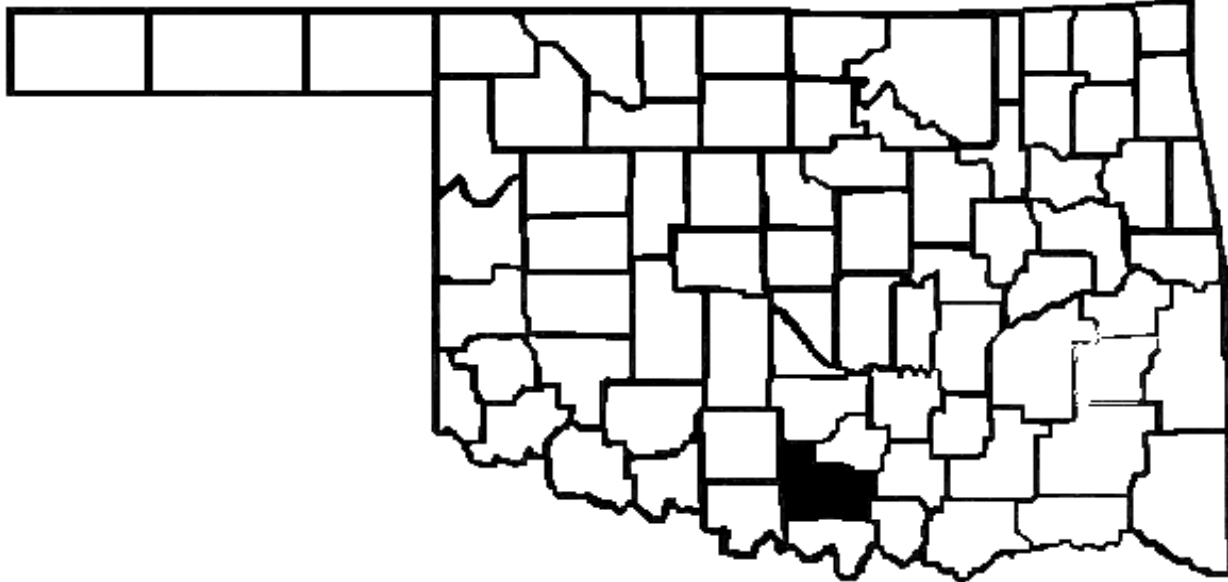
INTERNAL CONTROL AND COMPLIANCE SECTION

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance With
Government Auditing Standards..... 15

Schedule of Findings and Responses..... 17

**INTRODUCTORY SECTION
UNAUDITED INFORMATION ON PAGES iii -ix
PRESENTED FOR INFORMATIONAL PURPOSES ONLY**

**CARTER COUNTY, OKLAHOMA
STATISTICAL INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**



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 – 48,085
(2012 est.)

Farms – 1,426

Land in Farms – 402,831 Acres

Primary Source: Oklahoma Almanac 2013-2014

**CARTER COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Board of County Commissioners

District 1 – Joe McReynolds
District 2 – Kevin Robinson
District 3 – Dale Ott

County Assessor

Kim Cain

County Clerk

Cynthia Harmon

County Sheriff

Ken Grace

County Treasurer

Marsha Collins

Court Clerk

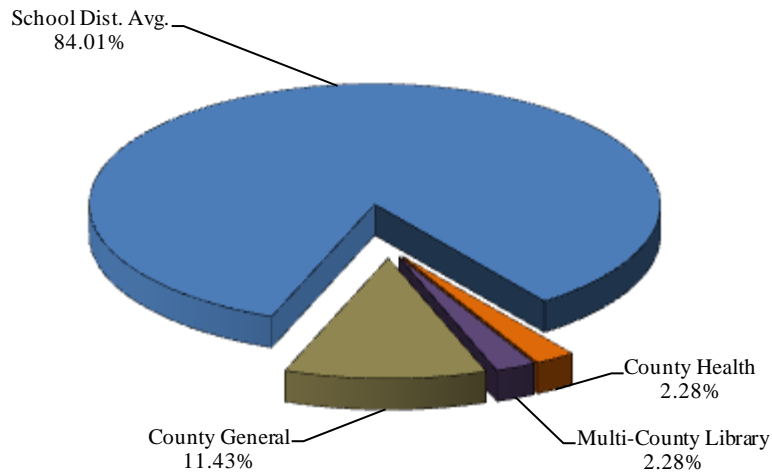
Karen Volino

District Attorney

Craig Ladd

**CARTER COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

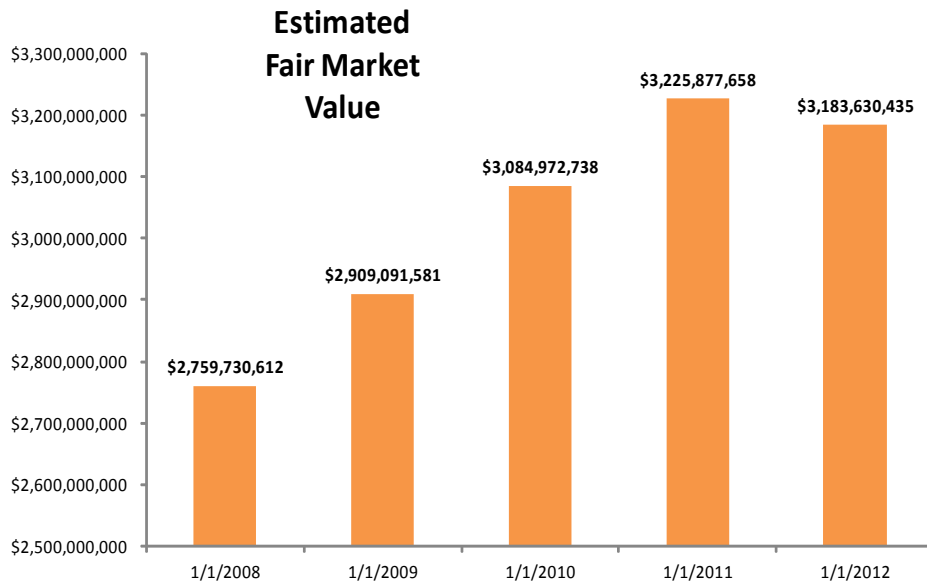
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the 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	-	15.61	4.13	60.69
Multi-County Library	2.06	Springer	I-21	36.04	5.15	13.01	15.61	4.13	73.94
		Plainview	I-27	35.80	5.11	18.25	15.61	4.13	78.90
		Lone Grove	I-32	36.82	5.26	28.97	15.61	4.13	90.79
<u>Cities and Towns</u>		Wilson	I-43	37.04	5.29	31.17	15.61	4.13	93.24
Ardmore Sinking	2.89	Healdton	I-55	36.74	5.25	19.94	15.61	4.13	81.67
		Zaneis	I-72	36.42	5.20	-	15.61	4.13	61.36
<u>Other</u>		Fox	I-74	36.18	5.17	14.47	15.61	4.13	75.56
EMS SD 43, 55, 72, 74	3.25	Dickson	I-77	37.20	5.31	19.85	15.61	4.13	82.10
		Murray County	I-10	35.94	5.13	10.09	15.61	4.13	70.90
		Stephens County	I-15	37.33	5.33	5.48	12.80	4.13	65.07
		Johnston County	C-7	35.53	5.08	15.83	15.61	4.13	76.18

**CARTER COUNTY, OKLAHOMA
 ASSESSED VALUE OF PROPERTY
 TREND ANALYSIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

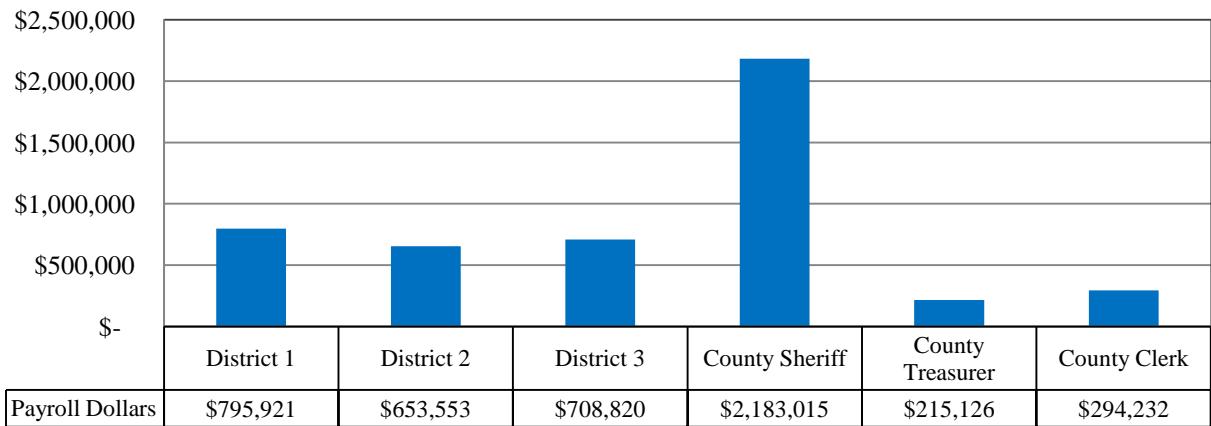
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2012	\$117,485,461	\$54,110,676	\$236,133,206	\$13,118,245	\$394,611,098	\$3,183,630,435
1/1/2011	\$129,210,147	\$51,361,491	\$230,921,960	\$12,951,838	\$398,541,760	\$3,225,877,658
1/1/2010	\$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



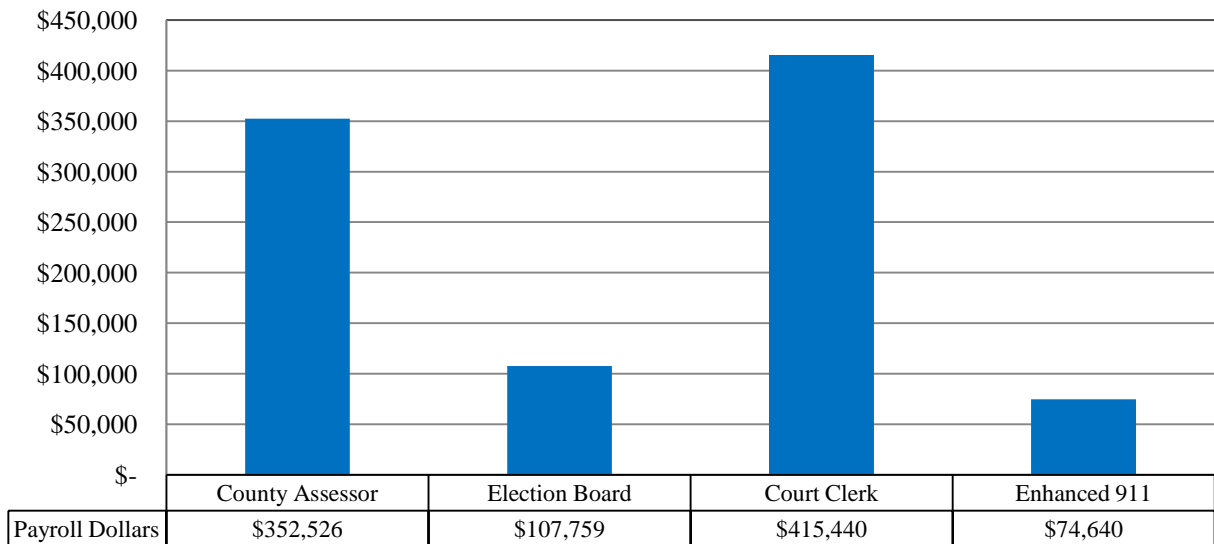
**CARTER COUNTY, OKLAHOMA
COUNTY PAYROLL EXPENDITURES ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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, 2013.

Payroll Expenditures by Department



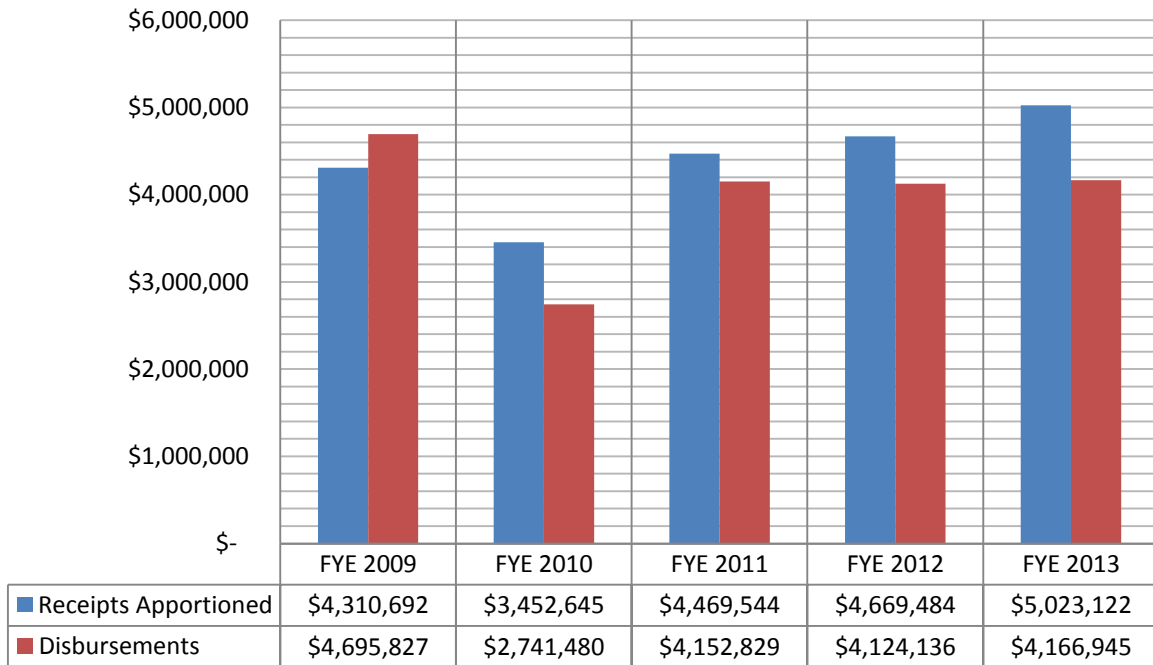
Payroll Expenditures by Department



**CARTER COUNTY, OKLAHOMA
COUNTY GENERAL FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

County General Fund

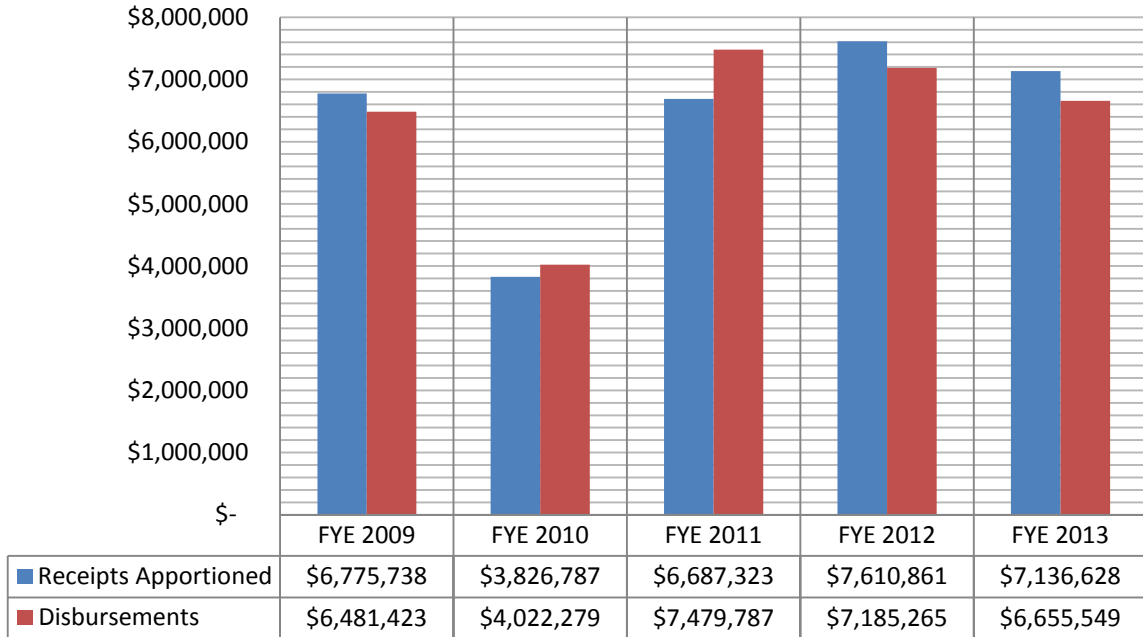
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also 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, 2013**

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

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, 2013, listed in the table of contents as the financial statement.

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 the 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 of the financial statement, 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 statements 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, 2013, or changes in its financial position for the year then ended.

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, 2013, on the basis of accounting described in Note 1.

Other Matters

Other 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 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.

The Other Supplementary Information, as listed in the table of contents, is the responsibility of management and was derived from and related 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 Other Supplementary Information, as listed in the table of contents, 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 subjected to the auditing procedures applied in the audit of the financial statement, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

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 in considering Carter County's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "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, 2013

	Beginning Cash Balances July 1, 2012	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2013
Combining Information:				
Major Funds:				
County General Fund	\$ 2,239,805	\$ 5,023,122	\$ 4,166,945	\$ 3,095,982
T-Highway	5,143,999	7,136,628	6,655,549	5,625,078
Sales Tax Revolving Fund	4,168,319	2,987,782	1,453,273	5,702,828
County Health	688,201	976,158	927,053	737,306
Resale Property	452,098	298,512	193,118	557,492
Fire Department Sales Tax	3,432,712	2,030	837,365	2,597,377
Sheriff Board of Prisoners	546,973	955,010	991,494	510,489
Sheriff Special Fee Account	152,102	246,529	241,737	156,894
County Sinking	3,472	-	-	3,472
Remaining Aggregate Funds	4,204,775	1,589,823	1,351,722	4,442,876
Combined Total - All County Funds	\$ 21,032,456	\$ 19,215,594	\$ 16,818,256	\$ 23,429,794

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, 2013**

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, 2013**

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, 2013**

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, 2013**

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. 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 a 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 ended on December 31, 2011. These funds are accounted for in the Fire Department Sales Tax fund.

**CARTER COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

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

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, 2013**

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balance:	\$ 2,239,805	\$ 2,239,805	\$ -
Less: Prior Years Outstanding Warrants	(89,027)	(89,027)	-
Less: Prior Year Reserves	(605,360)	(17,458)	587,902
Beginning Cash Balances, Budgetary Basis	<u>1,545,418</u>	<u>2,133,320</u>	<u>587,902</u>
Receipt:			
Ad Valorem taxes	3,402,697	3,640,077	237,380
Sales/Use Tax	-	42,026	42,026
Charges for Services	-	354,207	354,207
Intergovernmental Revenues	-	864,900	864,900
Miscellaneous Revenues	-	121,912	121,912
Total Receipts, Budgetary Basis	<u>3,402,697</u>	<u>5,023,122</u>	<u>1,620,425</u>
Expenditures:			
District Attorney - State	30,000	25,662	4,338
District Attorney - County	5,000	3,996	1,004
County Sheriff	1,996,075	1,871,934	124,141
County Treasurer	161,979	161,654	325
County Commissioners	35,003	25,757	9,246
County Commissioners OSU Extension	90,802	85,907	4,895
County Clerk	370,138	369,540	598
Court Clerk	347,629	345,790	1,839
County Assessor	129,154	128,637	517
Revaluation of Real Property	425,143	414,524	10,619
General Government	1,312,966	623,875	689,091
Excise-Equalization Board	5,101	2,812	2,289
County Election Expense	100,747	91,326	9,421
County Audit Budget Account	36,269	759	35,510
County Cemetary Account	5,200	4,400	800
Free Fair Budget Account	12,500	12,500	-
Total Expenditures, Budgetary Basis	<u>5,063,706</u>	<u>4,169,073</u>	<u>894,633</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ (115,591)</u>	2,987,369	<u>\$ 3,102,960</u>
Reconciliation to Statement of Receipts Disbursements, and Changes in Cash Balances			
Plus Warrants Estopped		17	
Plus Current Year Reserves		7,222	
Plus Current Year Outstanding Warrants		101,374	
Ending Cash Balances		<u>\$ 3,095,982</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, 2013**

County Health Department Fund			
	Budget	Actual	Variance
Beginning Cash Balance:	\$ 688,201	\$ 688,201	\$ -
Less: Prior Years Outstanding Warrants	(563)	(563)	-
Less: Prior Year Reserves	(127,911)	(88,096)	39,815
Beginning Cash Balances, Budgetary Basis	559,727	599,542	39,815
Receipts:			
Ad Valorem Taxes	679,220	726,604	47,384
Charges for Services	233,029	126,268	(106,761)
Intergovernmental	25,149	122,596	97,447
Miscellaneous Revenues	-	690	690
Total Receipts, Budgetary Basis	937,398	976,158	38,760
Expenditures:			
County Health Budget	1,497,125	1,185,431	311,694
Total expenditures, budgetary basis	1,497,125	1,185,431	311,694
Excess of Receipts and Beginning Cash Balances Over Disbursements, Budgetary Basis	\$ -	390,269	\$ 390,269
Reconciliation to Statement of Receipts Disbursements and Changes in Cash Balances:			
Plus Current Year Reserves		330,296	
Plus Current Year Outstanding Warrants		16,741	
Ending Cash Balance		\$ 737,306	

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, 2013

	Beginning Cash Balances July 1, 2012	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2013
Remaining Aggregate Funds:				
Assessor Revolving	\$ 29,059	\$ 1,441	\$ 3,635	\$ 26,865
County Clerk Mechanic Liens	253,542	82,387	9,550	326,379
Sheriff Drug Enforcement	450	-	-	450
Mortgage Certificate Fee	81,123	9,910	4,226	86,807
FEMA	51,161	100,746	112,667	39,240
Work Restitution (Delinquency Prevention)	1,480	-	-	1,480
County Roads and Improvements	486,220	59,027	-	545,247
Health Special Events	6,360	-	1,206	5,154
Enhanced 911	219,378	235,524	211,091	243,811
Energy & Renew Federal Grant	2,500	-	-	2,500
County Clerk Preservation	284,252	91,275	126,622	248,905
Sheriff Commissary	84,242	102,560	120,914	65,888
CBRIF County Bridge & Road	2,684,997	906,932	761,811	2,830,118
CDBG Courthouse Renovations	1	-	-	1
GO Bond 2000	20,010	21	-	20,031
Combined Total - Remaining Aggregate Funds	\$ 4,204,775	\$ 1,589,823	\$ 1,351,722	\$ 4,442,876

**CARTER COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

1. Budgetary Schedules

The Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis for the General Fund has not been presented. Therefore, the legally adopted budget cannot be compared with actual data for the General Fund. 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 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.

**CARTER COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

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

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 Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Carter County, Oklahoma, as of and for the year ended June 30, 2013, which comprises Carter County's 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 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, 2013, 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.

Our consideration of internal control was for the limited purpose described in the preceding 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. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and 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 described in the accompanying schedule of findings and responses to be material weaknesses: 2013-3, 2013-5, and 2013-6.

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 described in the accompanying schedule of findings and responses to be significant deficiencies: 2013-1, 2013-2, and 2013-8.

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 matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2013-8.

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 Findings

Carter County's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. Carter County's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on the responses.

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.



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

September 22, 2014

**CARTER COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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 2013-1 – Inadequate Internal Controls Over Information Systems Security – County Treasurer and County Clerk (Repeat Finding)

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: 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 FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Finding 2013-2 – Written Disaster Recovery Plan (Repeat Finding)

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 FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Finding 2013-3 – Inadequate County-Wide Controls (Repeat Finding)

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 FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Finding 2013-5 – Inadequate Segregation of Duties Over Cash Receipts and Cash Balances (Repeat Finding)

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.

**CARTER COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Management Response:

County Treasurer: These conditions have been corrected under the new management.

County Clerk: These conditions have been corrected or mitigating controls have been established under the new management.

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 2013-6 – Inadequate Internal Controls Over the Disbursement Process (Repeat Finding)

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, comparing supporting documentation, and initiates payment 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.

**CARTER COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Finding 2013-8 – Inadequate Internal Controls Over Pledged Collateral and Noncompliance with State Statute (Repeat Finding)

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

- 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 two financial institutions for the following days:

- For the month of July, 2012 funds were under-collateralized for the following day:
 - July 3, 2012 by \$270,257.80.
- For the month of April, 2013 funds were under-collateralized for the following days:
 - April 4, 2013 by \$729,953.43; and April 5, 2013 by \$509,080.26.

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 has been corrected. I am working with the banks 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 FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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 2013-9 – Inadequate Segregation of Duties - Court Clerk (Repeat Finding)

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 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 the 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 2013-12 – Inadequate Internal Controls and Noncompliance Over the Inmate Trust and Sheriff Commissary Funds (Repeat Finding)

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

**CARTER COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

- 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 the commissary report with the BOCC by January 15th 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 FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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 2013-13 – Inadequate Internal Controls and Noncompliance Over Fixed Assets Inventory (Repeat Finding)

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

- All offices, except for the County Treasurer, have 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 assets 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.

**CARTER COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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.

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.

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...."

Finding 2013-14 – Estimate of Needs

Condition: Upon review of the County's estimate of needs for the fiscal year ending June 30, 2013, it was noted that the County's budgeted appropriations exceeded the County's budgeted revenues and cash balance in the amount of \$115,591. It was further noted that the County does not budget for any revenue other than ad valorem taxes.

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

**CARTER COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Effect of Condition: This condition resulted in noncompliance with state statute and County budgeted appropriations exceeding the budgeted revenues and beginning cash balance. It could also result in misstated financial reports, undetected errors, and misappropriation of funds.

Recommendation: We recommend the County review the Estimate of Needs prior to approval to ensure that the budgeted appropriations do not exceed budgeted revenues and beginning cash balance. We further recommend that the County budget for all re-occurring and probable revenue to document if the General Fund still requires a 10 mill levy.

Management Response:

County Commissioner District 1, 2, and 3: This was an oversight and corrective measures will be taken.

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



OFFICE OF THE STATE AUDITOR & INSPECTOR
2300 N. LINCOLN BOULEVARD, ROOM 100
OKLAHOMA CITY, OK 73105-4896

WWW.SAI.OK.GOV