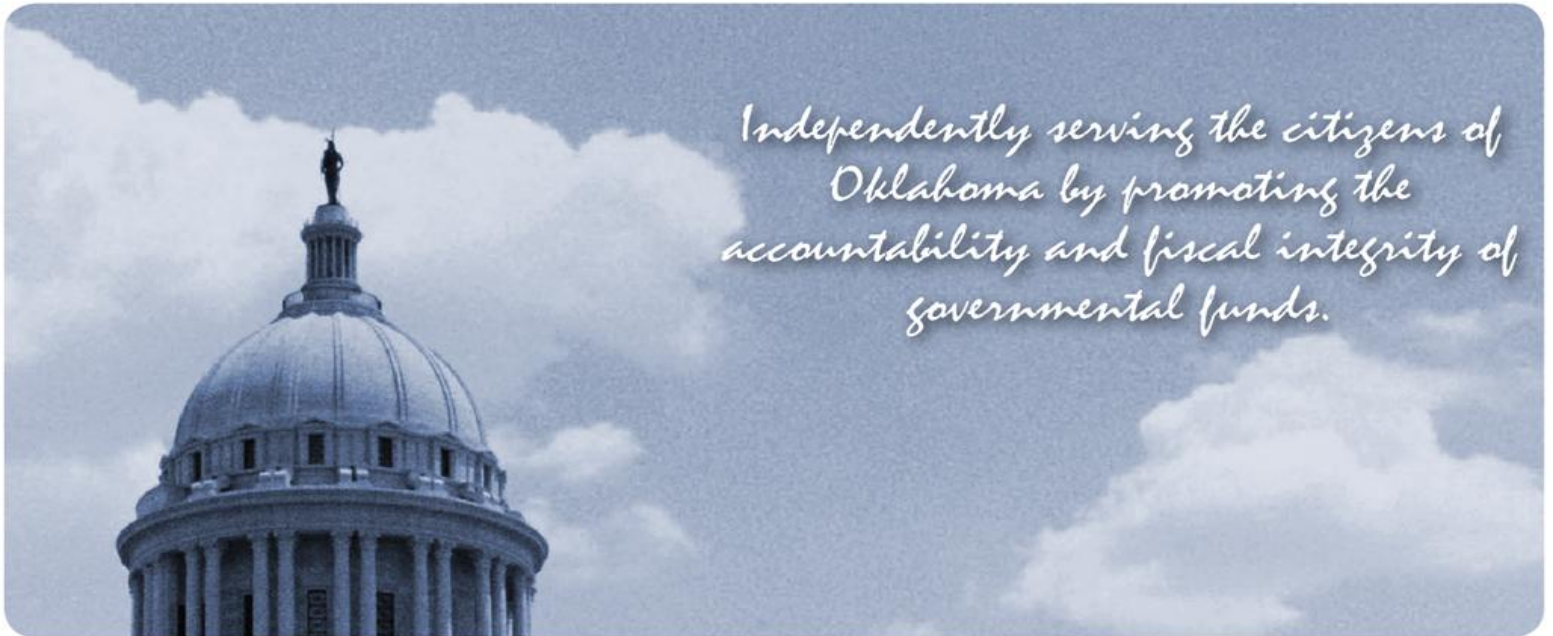


COUNTY AUDIT

GARFIELD COUNTY

For the fiscal year ended June 30, 2014



*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

**GARFIELD COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

August 24, 2015

TO THE CITIZENS OF
GARFIELD COUNTY, OKLAHOMA

Transmitted herewith is the audit of Garfield County, Oklahoma for the fiscal year ended June 30, 2014. The audit was conducted in accordance with 19 O.S. § 171.

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

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

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

Sincerely,

A handwritten signature in blue ink that reads "Gary A. Jones".

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

**GARFIELD COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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**GARFIELD COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

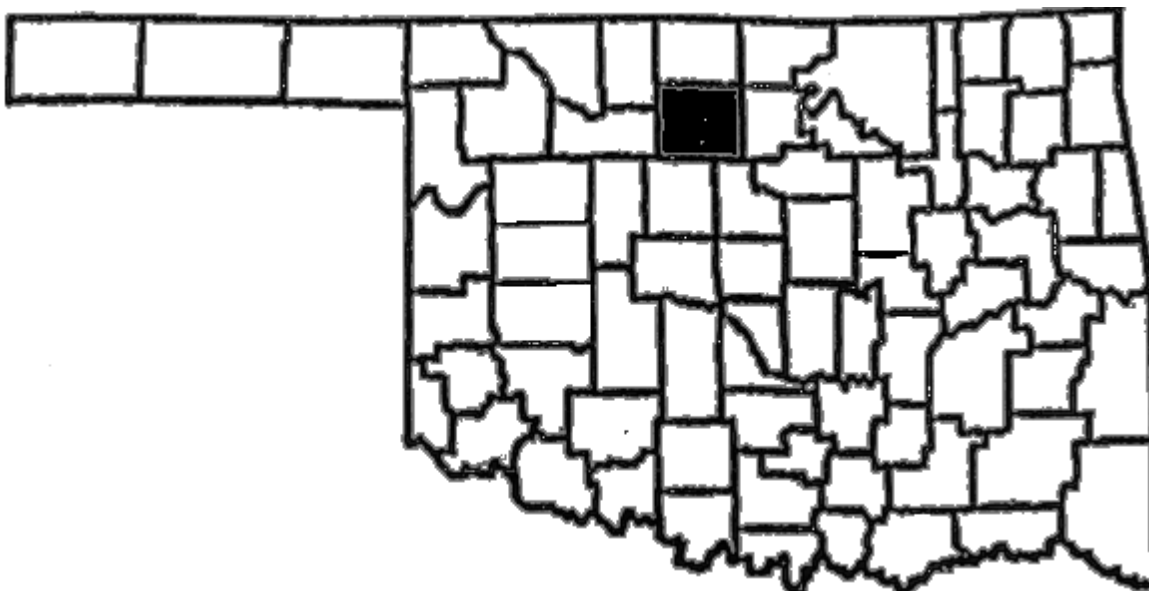
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**GARFIELD COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**



Originally a part of the Cherokee Outlet opened for settlement during the Land Run of September 16, 1893, Garfield County, Oklahoma Territory, was named for President James A. Garfield.

Enid, the county seat, has two major employers – Vance Air Force Base and Northrop-Grumman Technical Services. Local businesses manufacture such products as anhydrous ammonia, petroleum coke, drilling rigs, steel fabricators, dairy goods and processed meats. Although oil has provided a great deal of revenue, Garfield County is best known for its wheat production.

Recreational facilities included public golf courses, parks, and a swimming pool. An annual event of interest is the Tri-State Music Festival held in May for elementary and high school students.

The Garfield County Historical Society and *Garfield County Oklahoma 1893-1982* (in two volumes) are sources for more information. The Retired Senior Volunteer Program Information Center is open from 8 AM to 4 PM, Monday through Friday. Call the county clerk at 580/237-0225 or the Greater Enid Chamber of Commerce at 580/237-2494 for additional information.

County Seat – Enid

Area – 1,059.94 Square Miles

County Population – 61,189 (2012 est.)

Farms – 1,082

Land in Farms – 663,431 Acres

Primary Source: Oklahoma Almanac 2013-2014

**GARFIELD COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Board of County Commissioners

District 1 – Marc Bolz
District 2 – Reese Wedel
District 3 – James C. Simunek

County Assessor

L. Wade Patterson

County Clerk

Kathy R. Hughes

County Sheriff

Jerry Niles

County Treasurer

Kevin R. Postier

Court Clerk

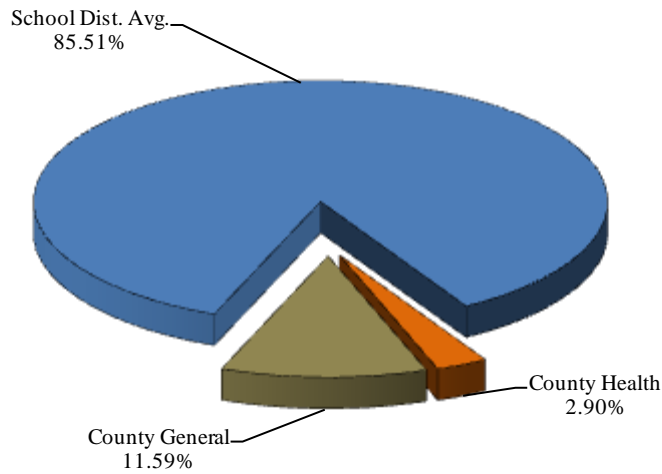
Margaret F. Jones

District Attorney

Michael Fields

**GARFIELD COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

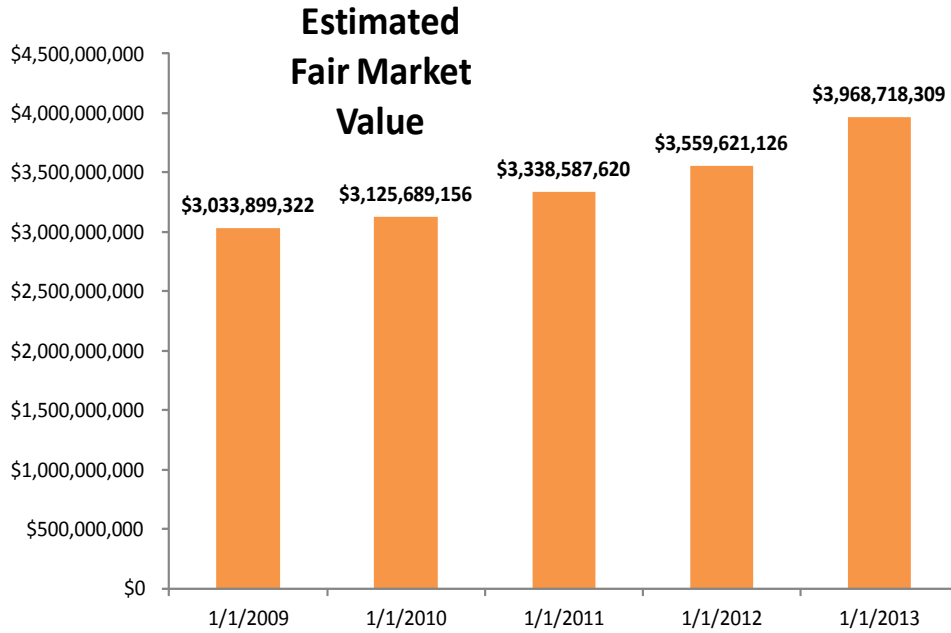
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the 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	10.54								
County Health	2.64	Waukomis	SD1	37.66	5.38	6.37	15.70	4.22	69.33
		Kremlin-Hillsdale	SD18	37.91	5.42	10.49	15.70	4.22	73.74
		Chisholm	SD42	37.07	5.30	11.32	15.70	4.22	73.61
		Garber	SD47	36.70	5.24	20.16	15.70	4.22	82.02
		Pioneer-Pleasant Vale	SD56	36.06	5.15	13.41	15.70	4.22	74.54
		Enid	SD57	36.86	5.27	22.53	15.70	4.22	84.58
		Drummond	SD85	37.27	5.32	26.50	15.70	4.22	89.01
		Covington-Douglas	SD94	37.03	5.29	12.75	15.70	4.22	74.99

**GARFIELD COUNTY, OKLAHOMA
 ASSESSED VALUE OF PROPERTY
 TREND ANALYSIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

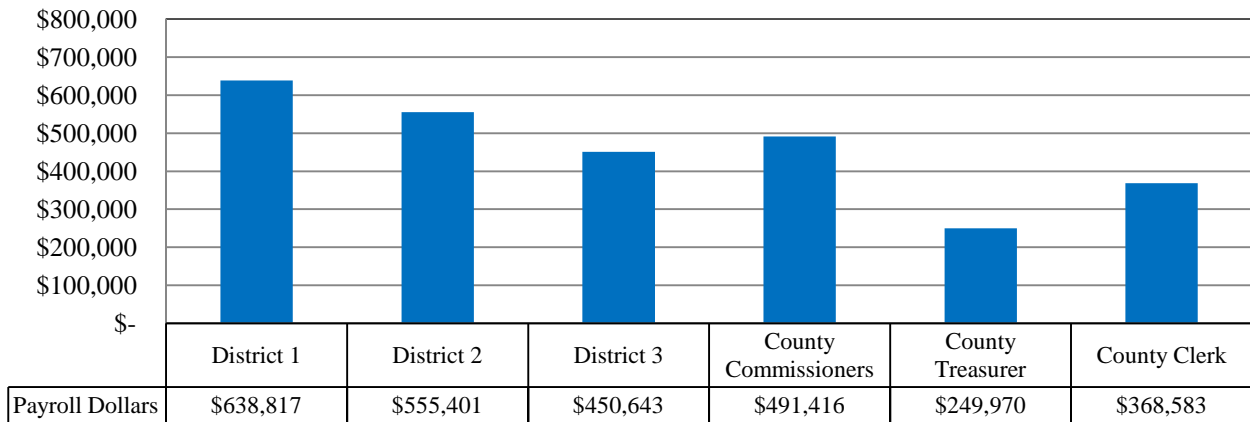
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2013	\$185,041,457	\$43,763,138	\$317,948,127	\$14,730,328	\$532,022,394	\$3,968,718,309
1/1/2012	\$138,049,505	\$42,009,779	\$306,930,107	\$14,815,857	\$472,173,534	\$3,559,621,126
1/1/2011	\$114,699,403	\$42,876,233	\$298,285,347	\$14,974,084	\$440,886,899	\$3,338,587,620
1/1/2010	\$96,330,265	\$41,542,941	\$287,710,026	\$14,866,456	\$410,716,776	\$3,125,689,156
1/1/2009	\$98,368,486	\$39,842,618	\$275,467,934	\$14,794,305	\$398,884,733	\$3,033,899,322



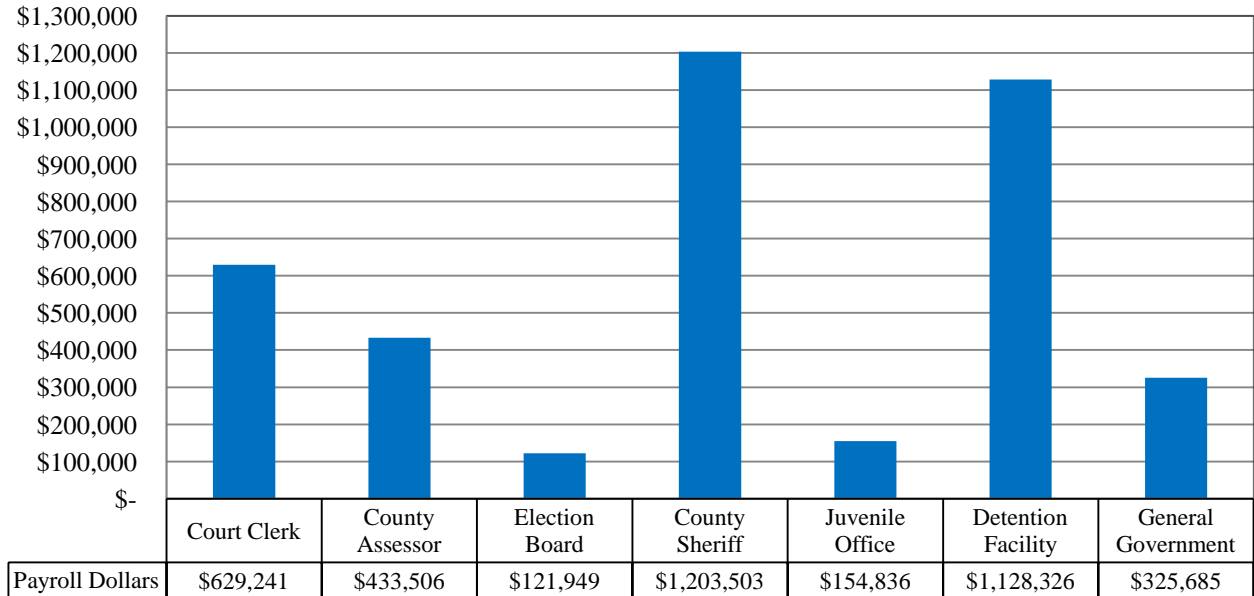
**GARFIELD COUNTY, OKLAHOMA
COUNTY PAYROLL EXPENDITURES ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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, 2014.

Payroll Expenditures by Department



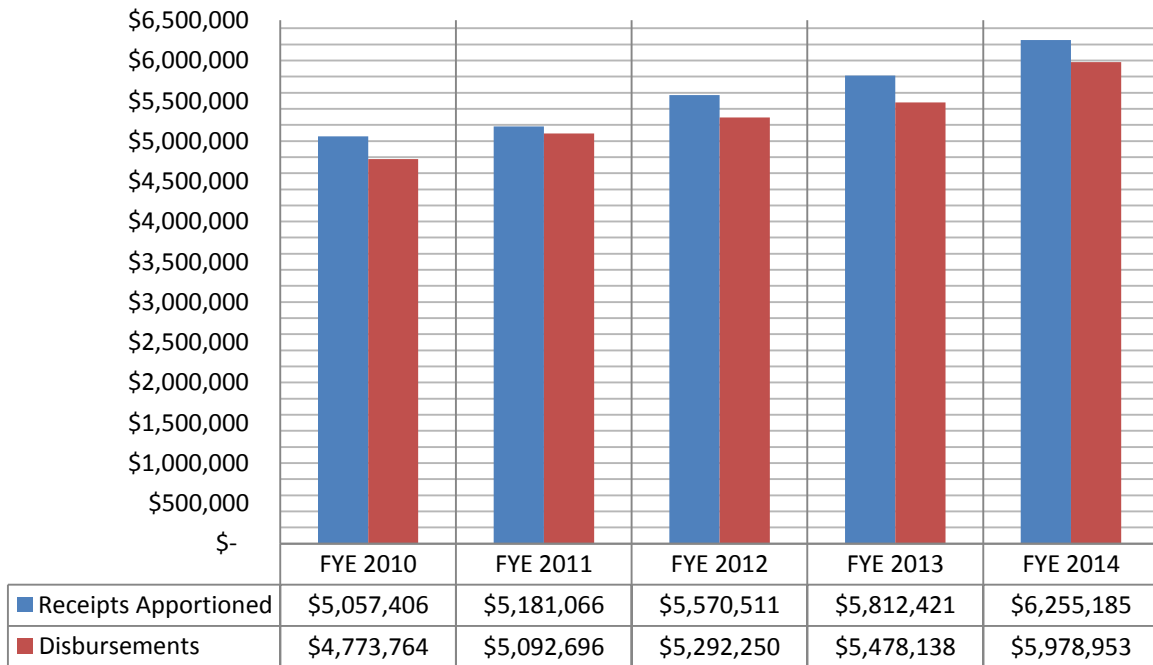
Payroll Expenditures by Department



**GARFIELD COUNTY, OKLAHOMA
COUNTY GENERAL FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

County General Fund

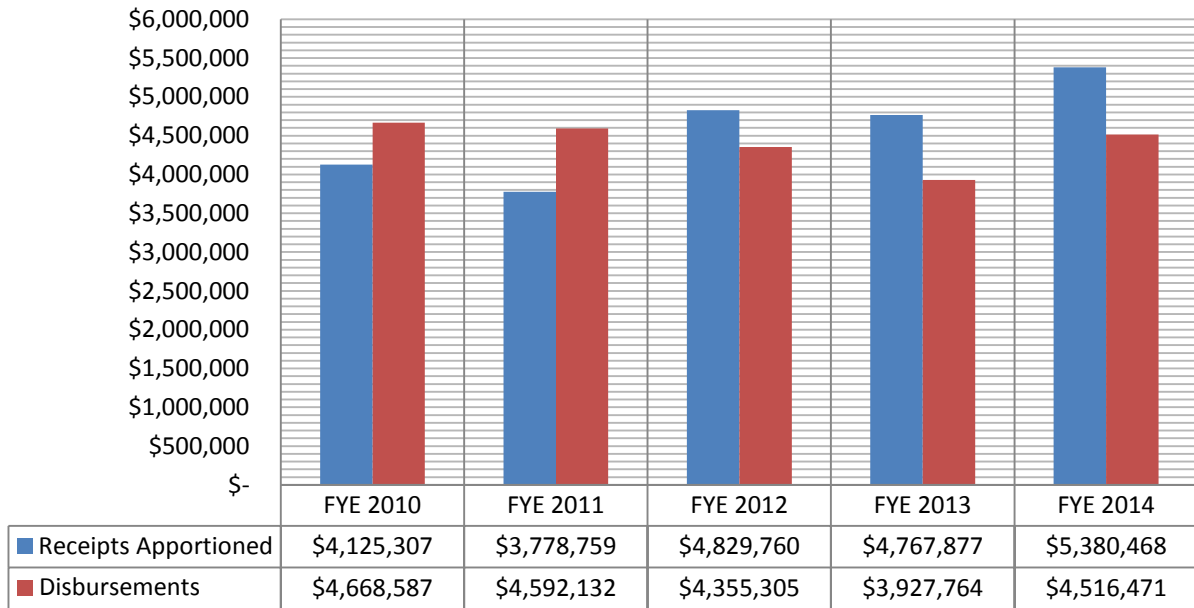
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also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



**GARFIELD COUNTY, OKLAHOMA
COUNTY HIGHWAY FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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
GARFIELD 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 Garfield County, Oklahoma, as of and for the year ended June 30, 2014, 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 Garfield 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 Garfield County as of June 30, 2014, 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 Garfield County, for the year ended June 30, 2014, 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 August 17, 2015, on our consideration of Garfield 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 Garfield County's internal control over financial reporting and compliance.

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

August 17, 2015

REGULATORY BASIS FINANCIAL STATEMENT

GARFIELD 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, 2014

	Beginning Cash Balances July 1, 2013	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2014
Combining Information:						
Major Funds:						
County General Fund	\$ 2,730,688	\$ 6,255,185	\$ -	\$ 685,146	\$ 5,978,953	\$ 2,321,774
County Highway Fund	2,370,781	5,380,468	-	-	4,516,471	3,234,778
County Health Department	1,420,898	1,347,254	-	-	1,569,245	1,198,907
Criminal Justice Authority and Jail Sales Tax	3,001,072	2,991,643	-	1,400,000	1,503,486	5,889,229
Detention Facility	96,595	151,942	1,400,000	-	835,724	812,813
Rural Fire Sales Tax	1,983,991	1,214,427	-	-	1,320,521	1,877,897
Sheriff County Prisoner Fund	298,664	894,447	-	-	884,731	308,380
Sheriff Service Fee	354,791	565,183	-	-	634,692	285,282
Remaining Aggregate Funds	3,088,067	1,324,747	1,080,717	305,640	1,438,540	3,749,351
Combined Total - All County Funds	\$ 15,345,547	\$ 20,125,296	\$ 2,480,717	\$ 2,390,786	\$ 18,682,363	\$ 19,678,411

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

**GARFIELD COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

1. Summary of Significant Accounting Policies

A. Reporting Entity

Garfield 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 revenues from ad valorem, sales tax, officer's fees, interest earnings, and miscellaneous collections of the County. Disbursements are for the general operations of the County.

County Highway Fund – accounts for revenues from state imposed fuel taxes and disbursements are for the maintenance and construction of county roads and bridges.

County Health Department – accounts for revenues from ad valorem taxes, miscellaneous fees charged by the health department, and state and federal funds. Disbursements are for the operation of the County Health Department.

Criminal Justice Authority and Jail Sales Tax – accounts for the sales tax received for erecting, furnishing, and equipping the Garfield County Detention Center and repaying the debt acquired in the process.

**GARFIELD COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Detention Facility – accounts for bond fees received from the Court Clerk, prisoner housing reimbursements received from the City of Enid, and for sales tax revenue transferred from the Criminal Justice Authority and Jail Sales Tax fund. The disbursements are for maintaining and operating the Garfield County Detention Facility.

Rural Fire Sales Tax – accounts for the sales tax received for the use of the Breckenridge, Covington, Douglas, Drummond, Fairmont, Garber, Hillsdale, Hunter, Kremlin, Lahoma, and Waukomis rural fire departments.

Sheriff County Prisoner Fund – accounts for the collection and disbursement of money supplied to the Sheriff's office for the housing of prisoners for towns, tribes, and other counties. This money can be used for any lawful expenditure of the Sheriff's office.

Sheriff Service Fee – accounts for revenues from fees charged for serving summons and notices. Disbursements are for any lawful expense of the Sheriff's office.

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.

**GARFIELD COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

**GARFIELD COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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 Garfield County approved a .25% (.0025) county sales tax effective January 1, 2003, to be in effect until January 1, 2018. The sales tax is administered by the Garfield County Criminal Justice Authority for the purpose of erecting, furnishing, equipping, operating, and maintaining a new county jail. These funds are accounted for within the Criminal Justice Authority and Jail Sales Tax, and the Detention Facility funds.

The voters of Garfield County approved a .10% (.0010) county sales tax effective January 1, 2006, to be in effect until December 31, 2014. This sales tax is dedicated to the 12 county rural fire departments. These funds are accounted for within the Rural Fire Sales Tax fund.

**GARFIELD COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

E. Interfund Transfers

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

- \$89,931 from Excess Resale, an agency fund, to Resale Property fund for the purpose of complying with Title 68 O.S. § 3131.
- \$1,400,000 from Criminal Justice Authority and Jail Sales Tax fund to Detention Facility fund for the operating and maintaining of the Garfield County Detention Facility as authorized by the sales tax ballot.
- \$685,146 from the County General Fund to the Contingency Fund as authorized by the Board of County Commissioners to offset any future liabilities. Subsequent to the end of this fiscal year, the Board of County Commissioners will no longer transfer these funds from the County General Fund to the Contingency Fund.
- \$305,640 from the County Use Tax fund to the Contingency Fund to reimburse expenses for the Garfield County Annex building renovation.

OTHER SUPPLEMENTARY INFORMATION

GARFIELD 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, 2014

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 2,730,688	\$ 2,730,688	\$ -
Less: Prior Year Outstanding Warrants	(209,113)	(209,113)	-
Less: Prior Year Encumbrances	(246,472)	(192,154)	54,318
Beginning Cash Balances, Budgetary Basis	<u>2,275,103</u>	<u>2,329,421</u>	<u>54,318</u>
Receipts:			
Ad Valorem Taxes	4,976,646	5,116,348	139,702
Charges for Services	-	330,022	330,022
Intergovernmental Revenues	-	564,662	564,662
Miscellaneous Revenues	31,710	244,153	212,443
Total Receipts, Budgetary Basis	<u>5,008,356</u>	<u>6,255,185</u>	<u>1,246,829</u>
Expenditures:			
District Attorney	46,359	37,629	8,730
County Sheriff	1,021,488	980,395	41,093
County Treasurer	157,625	157,358	267
County Commissioners	539,892	493,686	46,206
OSU Extension	124,092	92,086	32,006
County Clerk	242,689	240,351	2,338
Court Clerk	525,870	478,527	47,343
County Assessor	411,799	372,375	39,424
Revaluation of Real Property	318,675	297,219	21,456
Juvenile Shelter Bureau	188,168	181,325	6,843
District Court	4,001	1,466	2,535
General Government	901,217	865,250	35,967
Excise-Equalization Board	13,450	11,151	2,299
County Election Board	168,811	143,697	25,114
Insurance - Benefits	2,112,045	1,275,522	836,523
Data Processing	49,743	45,246	4,497
Charity	1,925	575	1,350
Recording Account	63,260	27,770	35,490
Civil Defense/Emergency Management	143,002	60,067	82,935
Planning Commission	1	-	1
Courthouse Security	9,461	7,760	1,701
Juvenile Detention	93,500	85,304	8,196
County Audit Budget Account	103,886	3,111	100,775
Free Fair Budget Account	20,000	20,000	-
Postage	22,500	22,500	-
Total Expenditures, Budgetary Basis	<u>7,283,459</u>	<u>5,900,370</u>	<u>1,383,089</u>

**GARFIELD COUNTY, OKLAHOMA
 COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
 CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
 GENERAL FUND - CONTINUED
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	General Fund		
	Budget	Actual	Variance
Continued from previous page			
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	2,684,236	\$ 2,684,236
Operating Transfer		(685,146)	
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		208,624	
Add: Current Year Encumbrances		114,060	
Ending Cash Balance		\$ 2,321,774	

**GARFIELD 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, 2014**

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 1,420,898	\$ 1,420,898	\$ -
Less: Prior Year Outstanding Warrants	(5,227)	(5,227)	-
Less: Prior Year Encumbrances	(335,508)	(182,413)	153,095
Beginning Cash Balances, Budgetary Basis	1,080,163	1,233,258	153,095
Receipts:			
Ad Valorem Taxes	1,246,522	1,281,515	34,993
Charges for Services	63,763	63,763	-
Intergovernmental Revenues	-	1,876	1,876
Miscellaneous Revenues	-	100	100
Total Receipts, Budgetary Basis	1,310,285	1,347,254	36,969
Expenditures:			
Health and Welfare	2,390,448	1,427,342	963,106
Total Expenditures, Budgetary Basis	2,390,448	1,427,342	963,106
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	1,153,170	\$ 1,153,170
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		44,823	
Add: Current Year Outstanding Warrants		914	
Ending Cash Balance		\$ 1,198,907	

GARFIELD COUNTY, OKLAHOMA
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS—
REMAINING AGGREGATE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Beginning Cash Balances July 1, 2013	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2014
Remaining Aggregate Funds:						
County Bridge and Road Improvement Fund	\$ 792,517	\$ 452,107	\$ -	\$ -	\$ 372,602	\$ 872,022
Resale Property	635,173	244,846	89,931	-	159,975	809,975
Assessor Visual Inspection	31,986	-	-	-	-	31,986
County Clerk Records Preservation Fee	74,127	81,040	-	-	94,441	60,726
County Clerk Lien Fee	95,183	97,255	-	-	68,217	124,221
Treasurer Mortgage Tax Certification Fee	7,563	9,635	-	-	13,823	3,375
Sheriff Training	14,874	9,076	-	-	15,721	8,229
Sheriff Estray Animal	710	-	-	-	-	710
Sheriff Commissary	27,839	33,973	-	-	5,799	56,013
County Assessor Fee	13,633	6,725	-	-	2,033	18,325
Sheriff Reserve	8,297	-	-	-	-	8,297
Sheriff Drug	14,683	357	-	-	-	15,040
Sheriff Environmental Quality	1,113	798	-	-	-	1,911
Sheriff Confidential Purchase	500	-	-	-	-	500
Sheriff Juvenile Justice	11,423	6,009	-	-	9,485	7,947
Sheriff DARE	1,392	-	-	-	-	1,392
Sheriff Unclaimed Property	1,414	-	-	-	-	1,414
Sheriff K9 Donation	1,250	1,601	-	-	2,800	51
Special Insurance	37,369	5,616	-	-	14,660	28,325
County Use Tax	47,006	274,960	-	305,640	-	16,326
Educational Facility Authority	125,247	26,178	-	-	-	151,425
Contingency Fund	1,111,305	56,446	990,786	-	660,859	1,497,678
Garfield County Economic Development Authority	17,047	-	-	-	-	17,047
Safe Room Program	1,080	-	-	-	-	1,080
Local Emergency Planning	15,335	-	-	-	-	15,335
Garfield County Emergency Management Program	1	18,125	-	-	18,125	1
Combined Total - Remaining Aggregate Funds	\$ 3,088,067	\$ 1,324,747	\$ 1,080,717	\$ 305,640	\$ 1,438,540	\$ 3,749,351

**GARFIELD COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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:

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

Resale Property – accounts for revenues from interest and penalties on delinquent ad valorem taxes. Disbursements are to offset the expense of collecting delinquent ad valorem taxes.

Assessor Visual Inspection – accounts for the collection and expenditure of monies by the Assessor as restricted by state statute for the visual inspection program.

County Clerk Records Preservation Fee – accounts for revenues from a fee charged by the County Clerk for recording instruments. Disbursements are for the maintenance and preservation of public records.

County Clerk Lien Fee – accounts for revenues from a fee charged by the County Clerk for filing liens. Disbursements are for any lawful expense of the County Clerk's office.

Treasurer Mortgage Tax Certification Fee – accounts for revenues from a fee for certifying mortgages. Disbursements are for any lawful expense of the Treasurer's office.

Sheriff Training – accounts for the collection and disbursement of money supplied to the Sheriff's office for the training of officers.

Sheriff Estray Animal – accounts for the collection of selling found and unclaimed cattle. Disbursements are made for the general operation of the Sheriff's office.

**GARFIELD COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Sheriff Commissary – accounts for the profit of collection of funds on items sold to prisoners, and used to purchase additional merchandise to be sold.

County Assessor Fee – accounts for revenues from fees charged by the County Assessor. Disbursements are for any lawful expense of the Assessor’s office.

Sheriff Reserve – accounts for the receipt of donations and general expenditures of the Sheriff’s office.

Sheriff Drug – accounts for the collection and disbursement of forfeited property from drug cases.

Sheriff Environmental Quality – accounts for a percentage of fines imposed for littering in accordance with Title 21 § 1753.3 and § 1761.1 of the Oklahoma Statutes. The money is used to pay rewards for the arrest and conviction or for evidence leading to the arrest and conviction of any person who violates the provisions of the aforementioned sections and to offset the cost of any special enforcement programs originated by any law enforcement agency responsible for the arrest or prosecution of any person who violates the provisions of Title 21 § 1753.3 and § 1761.1 of the Oklahoma Statutes.

Sheriff Confidential Purchase – accounts for the undercover drug purchases and the reimbursement of those funds.

Sheriff Juvenile Justice – accounts for the receipt of federal grants for the use of juvenile detention.

Sheriff DARE – accounts for the donation and disbursements for the DARE program.

Sheriff Unclaimed Property – accounts for the receipt of unclaimed property that is court ordered as property of the Sheriff’s office.

Sheriff K9 Donation – accounts for the donations for the purchase of a replacement drug dog.

Special Insurance – established to administer the County’s pooled self-insurance fund and accounts for insurance receipts and disbursements.

County Use Tax – accounts for the use tax collected by the State of Oklahoma and disbursed to the County to be spent as directed by the Board of County Commissioners.

Educational Facility Authority – accounts for the annual administrative fee for Enid Public Schools Bonds.

Contingency Fund – accounts for the amount reserved for possible future liabilities.

**GARFIELD COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Garfield County Economic Development Authority – accounts for the funds received for the Garfield County Economic Development Authority and remitted to the Authority.

Safe Room Program – accounts for the funds received for the safe room rebate program funded through the Oklahoma Department of Civil Emergency Management.

Local Emergency Planning – revenues are from the State of Oklahoma and are provided for the purchase of equipment for Emergency Management.

Garfield County Emergency Management Program – accounts for the receipt and disbursement of funds from state and local governments for civil defense purposes.

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
GARFIELD 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 Garfield County, Oklahoma, as of and for the year ended June 30, 2014, which comprises Garfield County's financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated August 17, 2015.

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, 2014, 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 Garfield 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 Garfield County's internal control. Accordingly, we do not express an opinion on the effectiveness of Garfield 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: 2014-1 and 2014-3.

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: 2014-2, 2014-4, and 2014-5.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Garfield 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2014-3 and 2014-4.

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

Garfield County's Responses to Findings

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

August 17, 2015

**GARFIELD COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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 2014-1 – Inadequate County-Wide Controls (Repeat Finding)

Condition: The County has not addressed all of the components of an internal control framework which are the control environment, risk assessment, information and communication, and monitoring.

Cause of Condition: This condition is a result of the County not being aware of how the process of identifying risk, implementing control activities, communicating pertinent information, and monitoring could positively impact the operations and reporting of the County.

Effect of Condition: This condition does not allow the County to function in the most effective manner possible.

Recommendation: The Oklahoma State Auditor & Inspector (OSAI) recommends that the County design procedures to document their Internal Control Framework. This documentation should outline the importance of internal controls, the risk that the County has identified, the control activities established to address the risk, the steps to take to properly communicate pertinent information in a timely manner and the methodology to monitor the quality of performance over time.

Management Response:

County Commissioners: We will encourage each officer to familiarize themselves with the Green Book. Then through Class A Officers' meetings, we can begin the implementation of the Green Book.

County Clerk: Someone has to take initiative to get County-Wide Controls started. I feel that the Commissioners need to start this process. I am willing to participate in any discussions held in Class A officers' meeting regarding this issue.

County Treasurer: I will participate in the discussion held in the Class A officers' meeting and provide input as needed.

County Assessor: I agree we do need to have more documentation of County-Wide Controls.

County Sheriff: I am willing to participate in any discussions held in Class A officers' meeting regarding this issue.

Court Clerk: I am willing to participate in any discussions regarding the documentation and implementation of County-Wide controls as outlined in the GAO's Green Book.

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

**GARFIELD COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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 Control Environment, Risk Assessment, Information and Communication, and Monitoring for the achievement of these goals.

Finding 2014-2 – Written Disaster Recovery Plans (Repeat Finding)

Condition: The County Commissioners, County Clerk, County Treasurer, Court Clerk, and County Assessor do not have a current written Disaster Recovery Plan.

Cause of Condition: Procedures have not been designed to develop and implement a formal Disaster Recovery Plan for each office.

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.

Recommendation: OSAI recommends the County Commissioners, County Clerk, County Treasurer, Court Clerk, and County Assessor develop a current Disaster Recovery Plan which is stored off-site. The County should study and act on different proposals to ensure that back-up tapes of all records in the County are stored in a safe, secure and remote location, off the premises from the courthouse, where information could be easily retrieved by authorized personnel in the event of a disaster.

Management Response:

District 1 County Commissioner: I will review the guidelines and use those guidelines to prepare a Disaster Recovery Plan.

District 2 County Commissioner: I will work towards getting a Disaster Recovery Plan in place and work with other officers in the Class A Officers' meetings to discuss their plans.

District 3 County Commissioner: I will work to develop a written Disaster Recovery Plan for District 3.

County Clerk: In the prior audit, I was under the impression that a county-wide Disaster Recovery Plan was needed. I will review the guidelines and begin designing one specifically for the County Clerk's office.

County Treasurer: I will look at the Disaster Recovery Plan on the OSAI website.

County Assessor: We need to formulize a Disaster Recovery Plan for each office as well as one for the offices whose information systems are linked together.

**GARFIELD COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

County Sheriff: I will incorporate our existing memos and guidelines in order to form a complete Disaster Recovery Plan.

Court Clerk: I am in the process of preparing the Disaster Recovery Plan for my office. After receiving notification on what the alternate site to resume operations is, I will finalize my plan.

Criteria: According to the standards of the Information Systems Audit and Control Association's (COBIT Delivery and Support 4.3), management should ensure that a written Disaster Recovery Plan is documented and contains the following:

- Guidelines on how to use the Recovery Plan,
- Emergency procedures to ensure the safety of all affected staff members,
- Roles and responsibilities of information services function, vendors providing recovery services, users of services and support administrative personnel,
- Listing of systems requiring alternatives (hardware, peripherals, software),
- Listing of highest to lowest priority applications, required recovery times and expected performance norms,
- Various recovery scenarios from minor to loss of total capability and response to each in sufficient detail for step-by-step execution,
- Specific equipment and supply needs are identified such as high speed printers, signatures, forms, communications equipment, telephones, etc. and a source and alternative source defined, training and/or awareness of individual and group roles in continuity plan,
- Listing of contracted service providers,
- Logistical information on location of key resources, including back-up site for recovery operating system, applications, data files, operating manuals and program/system/user documentation,
- Current names, addresses, telephone/pager numbers of key personnel,
- Business resumption alternatives for all users for establishing alternative work locations once IT resources are available.

According to the standards of the Information Systems Audit and Control Association (CobiT 4.1, Delivery and Support, 5.3 Identity Management), information services function management should ensure that all users (internal, external, and temporary) and their activity on IT systems (business application, IT environment, system operations, development, and maintenance) are uniquely identifiable. Enable user identities via authentication mechanisms. Confirm that user access rights to systems and data are in line with defined and documented business needs and that job requirements are attached to user identities. Ensure that user access rights are requested by user management, approved by system owners and implemented by the security-responsible person. Maintain user identities and access rights in a central repository. Deploy cost-effective technical and procedural measures, and keep them current to establish user identification, implement authentication and enforce access rights.

**GARFIELD COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Finding 2014-3 – Inadequate Controls and Noncompliance Over the Disbursement Process (Repeat Finding)

Condition: Upon discussion with officials, observation of the disbursement process, and tests of disbursements, we noted the following weaknesses regarding the disbursement process:

- The duties of processing payroll were not adequately segregated. The Payroll Clerk enrolls new hires, makes payroll changes, maintains personnel files, and prepares end of month payroll reports.
- The Payroll Clerk is also responsible for logging on to the financial institution website and initiating the direct deposit.
- The test of fifty-seven disbursements indicated the following exceptions:
 - Two instances were noted where the purchase orders were not properly encumbered.

Fund	Office/District	Purchase Order Number	Amount
County Highway Fund	District 3	4766	\$2,130.49
County Health Department	Health Department	4579	\$25,364.87

- One of the disbursements did not have adequate supporting documentation attached.

Fund	Office/District	Purchase Order Number	Amount
County Health Department	Health Department	4579	\$25,364.87

- Twenty-seven purchase orders for payroll had incomplete payroll claims submitted for payment; therefore we were unable to obtain reasonable assurance that the disbursements were made for the appropriate amount.

Cause of Condition: Policies and procedures with regard to segregating the duties over the purchasing and payroll processes have not been designed and implemented due to the officials being unaware of the necessity of such procedures.

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

Recommendation: OSAI recommends the following key accounting functions of the payroll process be adequately segregated:

- Posting new hires and/or making payroll changes to the payroll system,
- Maintaining personnel files,

**GARFIELD COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

- Performing the direct deposit, and
- Preparing end of month payroll reports.

Further, OSAI recommends the following in accordance with 19 O.S. § 1505C and § 1505E.

- County funds should be encumbered prior to the receipt of goods and/or services.
- Disbursements of county funds should be supported with invoices and receiving reports.

Management Response:

District 1 County Commissioner: I will be more aware of these items when I review the purchase orders in the future.

District 2 County Commissioner: I will encourage discussion about purchasing procedures to make sure we are in compliance with purchasing laws.

District 3 County Commissioner: I intend to pay more attention to purchase orders to ensure they are completed and accurate before signing off on them.

County Clerk: We have two additional employees that are being trained on the payroll process. I will encourage the other offices to encumber prior to purchases. On payroll claims, we will attach a detailed information sheet to identify the withholding amounts.

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

Finding 2014-4 – Inadequate Internal Controls and Noncompliance over Discrete Presentation of Sales Tax Activity (Repeat Finding)

Condition: Sales tax collections transferred to the Detention Facility Fund are comingled with revenue from other sources.

Cause of Condition: The County was not aware that the state statute regarding County sales tax had been clarified by two subsequent Attorney General Opinions.

Effect of Condition: These conditions have resulted in nonconformity with the AG Opinions and the intent of the County sales tax statute.

Recommendation: We recommend that the County establish policies and procedures that would allow for the sales tax balances and activity to be distinguished from other revenue sources activity within the County General Fund or account for sales tax activity in revolving fund as required by state statute.

**GARFIELD COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Management Response:

District 1 County Commissioner: The Board will meet and create a second account to keep sales tax money from being comingled with other sources of revenue.

District 2 County Commissioner: We need to work with the Treasurer's office to set up a different fund to keep sales tax separate from other sources of revenue.

District 3 County Commissioner: The Board will meet and discuss ways to keep sales tax money from being comingled with other sources of revenue.

County Treasurer: I will discuss this matter with the budget maker to resolve this issue.

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

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

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

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

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

Finding 2014-5 – Reconciliation of County Clerk's Appropriation Ledger to County Treasurer's General Ledger (Repeat Finding)

Condition: The County Clerk's appropriation ledger was not reconciled to the County Treasurer's general ledger during the fiscal year 2014.

Cause of Condition: Policies and procedures have not been designed regarding a monthly reconciliation of the County Clerk's appropriation ledger to the County Treasurer's general ledger.

Effect of Condition: These conditions could result in unrecorded transactions, misstated financial reports, undetected errors, misappropriation of funds, or clerical errors that are not detected in a timely manner.

**GARFIELD COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Recommendation: OSAI recommends that the County Clerk's appropriation ledger be reconciled to the County Treasurer's general ledger on a monthly basis.

Management Response:

County Clerk: I will attempt to make that reconciliation on a monthly basis.

County Treasurer: I will look into this and discuss it with the programmer.

Criteria: Safeguarding controls are an aspect of internal controls. Safeguarding controls relate to prevention or timely detection of unauthorized transactions and unauthorized access to assets. Failure to perform tasks that are part of internal controls, such as reconciliations not performed, are deficiencies in internal control. Further, reconciliations should be performed on a monthly basis.

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 2014-6 – Inadequate Internal Controls and Noncompliance Over Inmate Trust Fund Checking Account and Sheriff Commissary Fund (Repeat Finding)

Condition: Upon inquiry of County officials and employees, and observation of records in regard to the Inmate Trust Fund Checking Account and the Sheriff Commissary fund the following weaknesses were noted:

- Ten checks totaling \$15,926.32, issued during the month of April 2014, were to payees not authorized by statute.
- Funds were not deposited daily.
- The Annual Commissary Report filed by the Sheriff's office did not include Sheriff Commissary fund beginning and ending balances and expenditures.

Furthermore, internal controls have not been established to ensure amounts credited to inmate accounts reconcile to amounts deposited. As a result, unresolved adjustments are carried forward in order to reconcile the banks statements. At June 30, 2013 the total amount of these adjustments was \$734.04.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure that controls are in place with regard to Inmate Trust Fund Checking Account and Sheriff Commissary fund financial operations. The Sheriff issued checks from the Inmate Trust Fund checking Account rather than transferring the proceeds from the inmate sales to the Sheriff Commissary fund for disbursement.

**GARFIELD COUNTY, OKLAHOMA
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Effect of Condition: These conditions resulted in noncompliance with the state statutes, laws. Also, without proper accounting and safeguarding of the Inmate Trust Fund Checking Account, there is an increased risk of misappropriation of funds.

Recommendation: OSAI recommends the total of inmate's trust fund balances should be reconciled to the bank statements each month, collection of inmate monies should be deposited daily, and no operating expenditures should be made from this fund. Furthermore; an annual report of commissary operations should be submitted to the Board of County Commissioners no later than January 15th of each year.

Management Response:

County Sheriff: We are currently working on making sure deposits are made daily. We will work with the Court Clerk to develop a system to pay inmate court costs in a manner allowable by state statute. We will file an Annual Commissary Report with the County Commissioners on or before January 15th. This report will contain the expenditures from the Sheriff Commissary fund. We will work to resolve the adjustments used to reconcile the bank statements.

Criteria: Title 19 O.S. § 180.43D outlines the procedures for the County Sheriff to establish a Sheriff Commissary Fund and accounting procedures for this fund and filing an Annual Commissary Report with the Board of County Commissioners by January 15, of the following calendar year. Further, Title 19 O.S. § 180.43 provides guidance in accounting for inmate trust monies deposited and expended from the Inmate Trust Fund Checking Account.

Finding 2014-7 – Inadequate Internal Controls and Noncompliance Over Fixed Assets Inventory (Repeat Finding)

Condition: Upon inquiry of County officials and employees, and observation of records in regard to the fixed assets, the following was noted:

County Treasurer

- Inventory records are not continuously updated.
- An annual physical inventory is not performed.

County Assessor

- An annual physical inventory is not performed.

County Clerk

- An annual physical inventory is not performed.

County Sheriff

- An annual physical inventory is not performed.
- A test of eight inventory items for the Sheriff's office indicated:
 - Three items that did not have an inventory number affixed.

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District 1

- An annual physical inventory is not performed.
- A test of sixteen inventory items for District 1 indicated:
 - One item did not have an inventory number affixed.
 - Five items were not properly identified as “Property of Garfield County.”

District 2

- The receiving officer is responsible for maintaining the inventory records.
- An annual physical inventory is not performed.
- A test of fifteen inventory items for District 2 indicated:
 - Eleven items were not properly identified as “Property of Garfield County.”

District 3

- The receiving officer is responsible for maintaining the inventory records.
- An annual physical inventory is not performed.
- A test of sixteen inventory items for District 3 indicated:
 - One item was not properly identified as “Property of Garfield County.”

Cause of Condition: Policies and procedures have not been designed and implemented by county officers to perform and document annual fixed assets inventory counts to ensure compliance with state statutes.

Effect of Condition: These conditions resulted in noncompliance with state statute. When fixed assets are not monitored and equipment is not properly marked with identification numbers and “Property of Garfield County” opportunities for misuse or loss of equipment can occur.

Recommendation: OSAI recommends management implement internal controls to ensure compliance with 19 O.S. § 178.1, 19 O.S. § 1502(A)(1), 19 O.S. § 1502(B)(1), and 69 O.S. § 645.1 by maintaining inventory records and marking assets with county identification numbers and “Property of.” OSAI recommends the performing and documenting a periodic inventory of fixed assets. Additionally, the key functions of receiving duties and inventory control duties should be performed by separate employees in order to effectively segregate those duties.

Management Response:

District 1 County Commissioner: We will perform annual inspections of county equipment to help ensure compliance with the statutes and retain the documentation and mark equipment with “Property of Garfield County.”

District 2 County Commissioner: I will visit with the Courthouse Inventory Officer to ensure a list of inventory is provided to my office annually. I will also visit with my receiving agent to ensure this list is checked for accuracy annually and all equipment is properly identified as “Property of Garfield County.”

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District 3 County Commissioner: We will make every effort to conduct an annual physical inventory of fixed assets. We will maintain the signed and dated documentation and mark equipment with “Property of Garfield County.”

County Clerk: We will attempt to perform an annual fixed assets inventory.

County Treasurer: I will work on updating my fixed assets inventory.

County Assessor: We will perform an annual inventory and maintain documentation of this review.

County Sheriff: We have developed a plan to review monthly a designated portion of the fixed assets inventory.

Criteria: 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 or timely detection of unauthorized transactions and safeguarding assets from misappropriation.

Finding 2014-8 – Inadequate Internal Controls and Noncompliance Over Consumable Items Inventory (Repeat Finding)

Condition: The observation and test of consumable inventory items for Districts 1, 2, and 3 indicated the following:

District 1 Commissioner:

- One employee is responsible for receiving inventory, maintaining the stock inventory cards, preparing the transfer documents, and performing periodic review of inventory.
- A periodic review of consumable inventory is performed, but documentation of the review is not maintained.

District 2 Commissioner:

- Consumable inventory is not accurately maintained by the District.
- A fuel log is maintained; however, the fuel log does not contain a balance that can be reconciled to the actual fuel on hand.

District 3 Commissioner:

- A periodic review of consumable inventory is performed, but documentation of the review is not maintained.
- A fuel log is maintained; however, fuel usage is not reconciled to the fuel log on a monthly basis.

Cause of Condition: Policies and procedures have not been designed and implemented by County Commissioners to perform monthly consumable inventory counts to ensure compliance with state statute.

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Effect of Condition: These conditions resulted in noncompliance with state statute. When consumable inventory items are not adequately monitored and inadequate segregation of duties exist, the opportunity for the misappropriation of consumable items and undetected errors in accounting for consumable items could result.

Recommendation: OSAI recommends that management implement internal controls to ensure compliance with 19 O.S. § 1504A with regard to accounting for consumable inventories.

Management Response:

District 1 County Commissioner: We will perform periodic counts of consumable inventories to help ensure compliance with state statute.

District 2 County Commissioner: I have already implemented a process for reconciling fuel usage to fuel records daily. Consumable item records will be reconciled monthly to items on hand.

District 3 County Commissioner: I will make every effort of keeping track of fuel usage and fuel logs and reconciling amount on hand to the amount on records. We will start keeping documentation of a consumable inventory reviews.

Criteria: 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 or timely detection of unauthorized transactions and safeguarding assets from misappropriation.



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