

COUNTY AUDIT

GARVIN COUNTY

For the fiscal year ended June 30, 2016



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



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

**GARVIN COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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 Prairie Collection (<http://digitalprairie.ok.gov/cdm/search/collection/audits/>) pursuant to 65 O.S. § 3-114.



Oklahoma State Auditor & Inspector

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

May 17, 2018

TO THE CITIZENS OF
GARVIN COUNTY, OKLAHOMA

Transmitted herewith is the audit of Garvin County, Oklahoma for the fiscal year ended June 30, 2016. 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". The signature is written in a cursive style with a long, sweeping underline.

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

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

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 General Fund Analysis.....	vii
County Highway Fund Analysis.....	viii

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
Schedule of Expenditures of Federal Awards.....	15
Note to the Schedule of Expenditures of Federal Awards.....	16

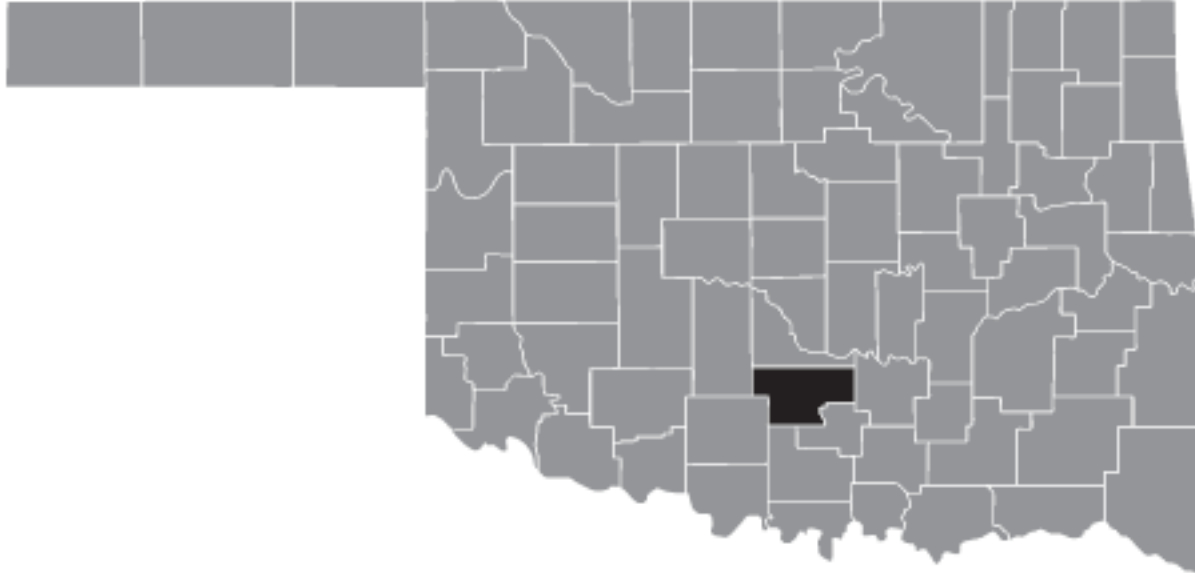
**GARVIN COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

INTERNAL CONTROL AND COMPLIANCE SECTION

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	17
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	19
Schedule of Findings and Questioned Costs.....	21
Appendix A: Corrective Action Plan (Prepared by County Management)	31
Appendix B: Schedule of Prior Year Findings and Questioned Costs (Prepared by County Management)	34

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

**GARVIN COUNTY, OKLAHOMA
STATISTICAL INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**



Named for Samuel Garvin, a prominent Chickasaw Indian, Garvin County was once a part of the Chickasaw Nation, Indian Territory.

Pauls Valley, the county seat, was named for Smith Paul, the first white settler in this part of the Washita River Valley. In 1847 he described the area as "a section where the bottom land was rich and the blue stem grass grew so high that a man on horseback was almost hidden in its foliage."

Annual events include the Pauls Valley Junior Livestock Show in March, Brick Fest and the Jackpot Pig Sale in May, Heritage Days and Rodeo in June, Fourth of July Celebration, and the Christmas Parade of Lights in December.

For additional county information, call the county clerk's office at 405/238-2843 or the Chamber of Commerce at 405/238-6491.

County Seat – Pauls Valley

Area – 813.66 Square Miles

County Population – 27,561
(2014 est.)

Farms – 1,498

Land in Farms – 463,183 Acres

Primary Source – Oklahoma Almanac 2015–2016

**GARVIN COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Board of County Commissioners

District 1 – Stan Spivey
District 2 – Shon Richardson until April 2016
 Vacant from April 2016 through June 2016
 Gary Ayres - July 2016
District 3 – Johnny Mann

County Assessor

Beverly Strickland

County Clerk

Lori Fulks

County Sheriff

Larry Rhodes

County Treasurer

Sandy Goggans

Court Clerk

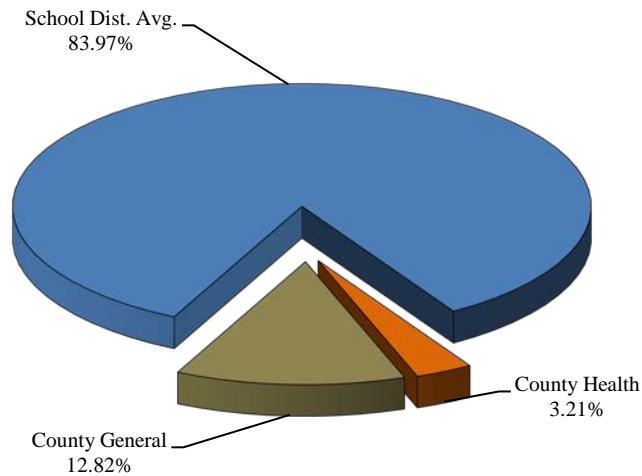
Cindy Roberts

District Attorney

Greg Mashburn

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

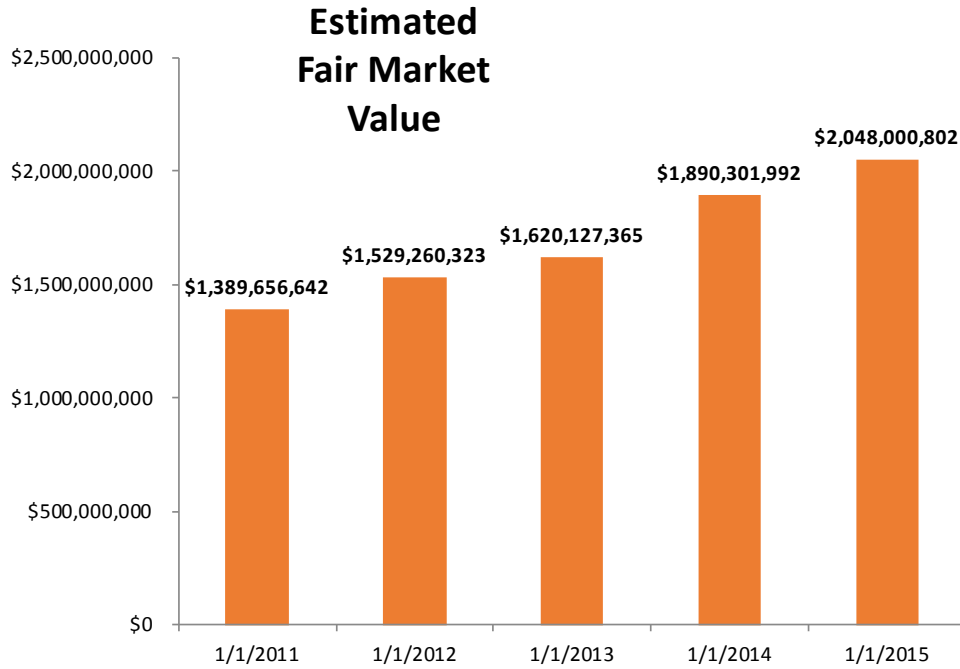
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the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



County-Wide Millages		School District Millages							
				Gen.	Bldg.	Skg.	Career		Total
							Tech.	Common	
County General	10.27								
County Health	2.57								
		Stratford	I-2	36.51	5.22	20.59	11.25	4.11	77.68
		Paoli	I-5	35.96	5.14	11.33	11.25	4.11	67.79
		Maysville	I-7	35.99	5.14	13.73	11.25	4.11	70.22
		Lindsay	I-9	35.92	5.13	10.49	11.25	4.11	66.90
Pauls Valley Ambulance (City)	3.06	Pauls Valley	I-18	35.58	5.08	14.92	11.25	4.11	70.94
Wynnewood EMS (SD)	3.08	Wynnewood	I-38	35.96	5.14	2.29	11.25	4.11	58.75
		Elmore/Pernell	I-72	36.32	5.19	14.26	11.25	4.11	71.13
		Whitebead	D-16	36.01	5.14	-	11.25	4.11	56.51
		Byars	JD-4MC	37.03	5.29	12.12	11.25	4.11	69.80
		Bray-Doyle	JI-42	35.41	5.06	7.34	12.14	4.11	64.06
		Wayne	JI-10M	36.71	5.24	4.85	14.99	4.11	65.90
		Alex	JI-56G	35.00	5.00	7.15	16.01	4.11	67.27

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

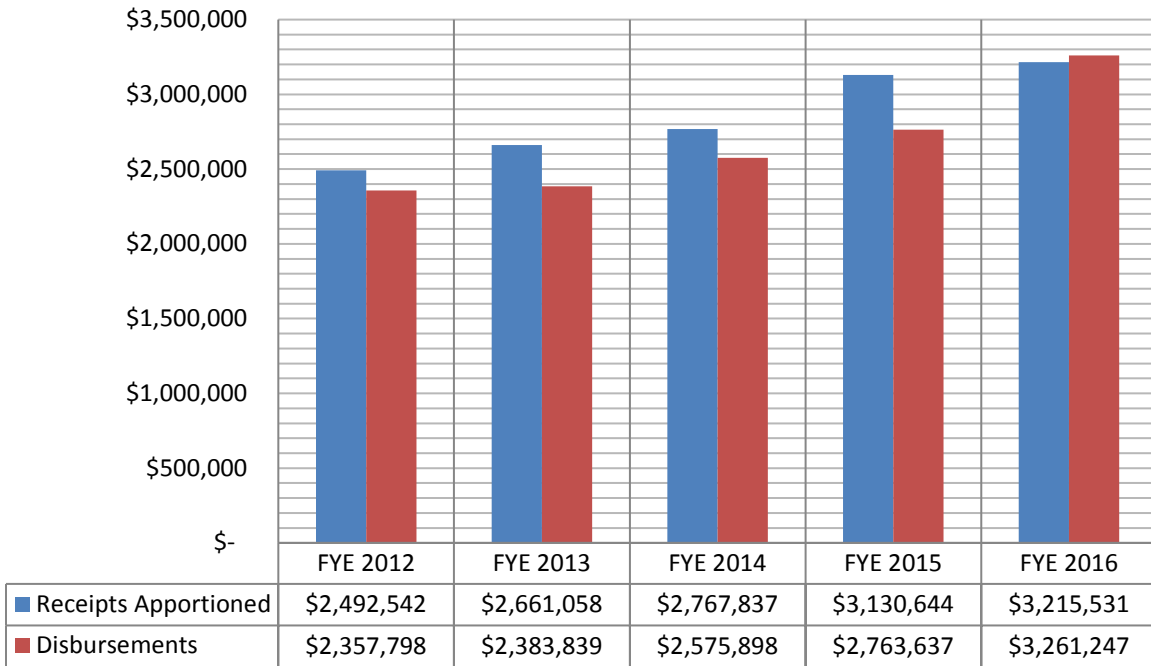
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2015	\$130,512,900	\$31,016,552	\$98,329,077	\$7,534,534	\$252,323,995	\$2,048,000,802
1/1/2014	\$114,363,999	\$31,874,944	\$95,085,907	\$7,550,657	\$233,774,193	\$1,890,301,992
1/1/2013	\$95,439,686	\$26,991,884	\$84,252,752	\$7,647,209	\$199,037,113	\$1,620,127,365
1/1/2012	\$79,322,034	\$26,526,430	\$89,720,243	\$7,683,684	\$187,885,023	\$1,529,260,323
1/1/2011	\$65,767,573	\$24,717,231	\$87,509,098	\$7,692,155	\$170,301,747	\$1,389,656,642



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

County General Fund

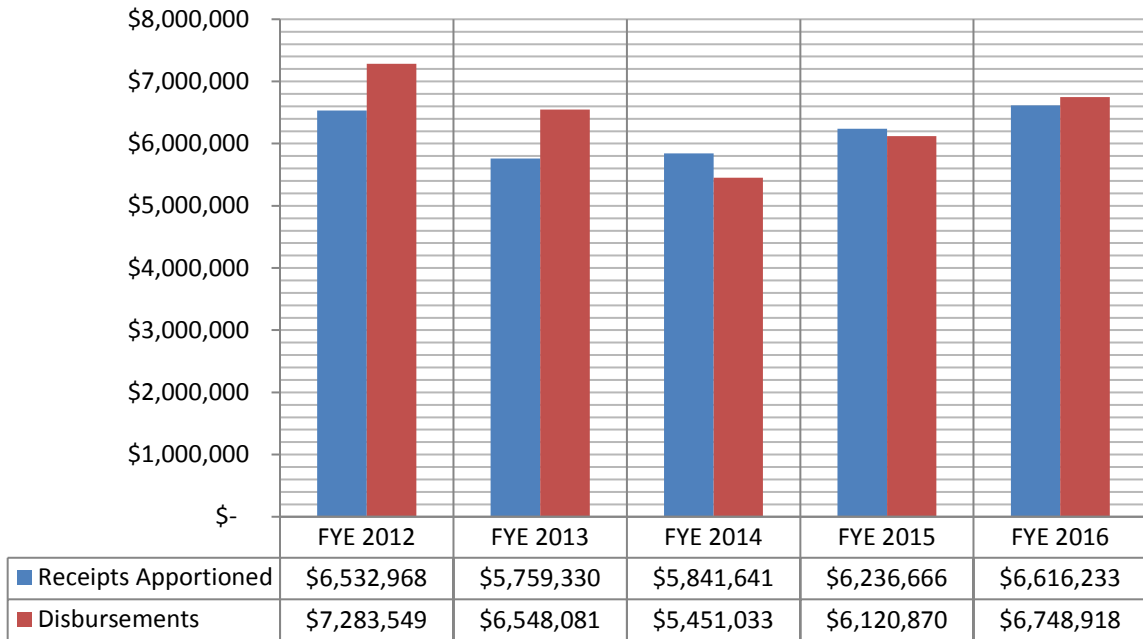
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county’s primary source of operating revenue. The County General Fund is typically used for county employees’ salaries plus many expenses for county maintenance and operation. It also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



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

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 123 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

Independent Auditor's Report

TO THE OFFICERS OF
GARVIN 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 Garvin County, Oklahoma, as of and for the year ended June 30, 2016, and the related notes to the financial statement, which collectively comprise the County's basic financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

Our responsibility is to express an opinion on 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 misstatements of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

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

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

As described in Note 1, the financial statement is prepared by Garvin 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 Garvin County as of June 30, 2016, or changes in financial position for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash balances for all county funds of Garvin County, for the year ended June 30, 2016, in accordance with the basis of accounting described in Note 1.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the combined total of all county funds on the financial statement. The accompanying Schedule of Expenditures of Federal Awards, as required by the Uniform Guidance, and the remaining Other Supplementary Information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statement.

The Schedule of Expenditures of Federal Awards and 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 Schedule of Expenditures of Federal Awards and 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 May 14, 2018, on our consideration of Garvin 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 Garvin County's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Gary A. Jones". The signature is written in a cursive style with a long horizontal stroke at the end.

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

May 14, 2018

REGULATORY BASIS FINANCIAL STATEMENT

GARVIN 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, 2016

	Beginning Cash Balances July 1, 2015	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2016
Combining Information:						
Major Funds:						
County General Fund	\$ 1,898,585	\$ 3,215,531	\$ -	\$ -	\$ 3,261,247	\$ 1,852,869
Sales Tax	5,809,958	3,073,227	-	-	2,619,265	6,263,920
Use Tax	1,367,131	447,162	-	-	25,860	1,788,433
County Highway Fund	2,823,743	6,616,233	-	-	6,748,918	2,691,058
County Health Department	445,226	624,957	-	-	616,004	454,179
Resale Property	447,177	133,247	27,588	-	65,721	542,291
Sheriff Service Fee	78,098	366,812	-	-	293,222	151,688
County Sinking	42,191	762	-	-	-	42,953
Remaining Aggregate Funds	3,641,239	1,080,155	-	-	1,829,519	2,891,875
Combined Total - All County Funds	\$ 16,553,348	\$ 15,558,086	\$ 27,588	\$ -	\$ 15,459,756	\$ 16,679,266

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

**GARVIN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

1. Summary of Significant Accounting Policies

A. Reporting Entity

Garvin 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, 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.

Sales Tax – accounts for the sales tax collected and spent for the purpose of maintaining and operating the Garvin County Courthouse, Sheriff's Department/Jail, and county roads and bridges, fire departments, and the Emergency Management Department of Garvin County.

Use Tax – accounts for sales tax remitted to the County by the Oklahoma Tax Commission and disbursements are for the general operation of the County.

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

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

**GARVIN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

Sheriff Service Fee - accounts for the collection and disbursement of sheriff process service fees as restricted by state statute.

County Sinking - accounts for debt service receipts derived generally from a special ad valorem tax levy and from interest earned on investments of cash not immediately required for debt service payments. Currently there is no long-term debt.

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.

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

**GARVIN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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. The County Treasurer, according to the law, shall give notice of delinquent taxes and special assessments by publication once a week for two consecutive weeks at any time after April 1, but prior to the end of September following the year the taxes were first due and payable. Unpaid real property taxes become a lien upon said property after the treasurer has perfected the lien by public notice.

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

3. Other Information

A. Pension Plan

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

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

B. Other Post Employment Benefits (OPEB)

In addition to the pension benefits described in the Pension Plan note, OPERS provides post-retirement health care benefits of up to \$105 each for retirees who are members of an eligible group plan. These benefits are funded on a pay-as-you-go basis as part of the overall retirement benefit. OPEB expenditure and participant information is available for the state as a whole; however, information specific to the County is not available nor can it be reasonably estimated.

C. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, primarily the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time; although, the County expects such amounts, if any, to be immaterial.

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 Garvin County approved a one-half percent (1/2%) sales tax through an election on March 4, 2014, that went into effect on July 1, 2014. This sales tax has a limited duration of seven (7) years and terminates on June 30, 2021. This sales tax was established for the purpose of maintaining and operating the Garvin County Courthouse, Sheriff's department, jail, and county roads and bridges. These funds are accounted for in the Sales Tax fund.

**GARVIN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

The voters of Garvin County approved a one-fourth (1/4%) of one percent of sales tax through an election on March 6, 2012, that went into effect March 6, 2012, or as soon thereafter as provided by law. This sales tax has an unlimited duration. This sales tax was established for the purpose of maintaining and operating the twelve (12) fire departments of Garvin County and maintaining and operating the Emergency Management Department of Garvin County. These funds are accounted for in the Sales Tax fund.

E. Tax Abatements

The County is subject to ad valorem tax abatements granted by the State of Oklahoma in accordance with the Oklahoma Constitution, Article 10 Section 6B for qualifying manufacturing concern—ad valorem tax exemption.

Under this program, a five-year ad valorem tax exemption exempts all real and personal property that is necessary for the manufacturing of a product and facilities engaged in research and development which meet the requirements set by the Oklahoma Constitution and statutes. Under Title 68 O.S. § 2902, in exchange for the five-year exemption, qualifying manufacturing concerns must meet certain minimum investment requirements for construction, acquisition, or expansion of a manufacturing facility. In addition, there are general minimum payroll requirements that must be met and the qualifying manufacturing concern must offer basic health benefit plans to all full-time employees within 180 days of employment.

The County had \$431,389 of ad valorem taxes abated under this program for the fiscal year ended June 30, 2016.

The State has an Ad Valorem Reimbursement Fund in accordance with Title 62 O.S. § 193 that is used to reimburse the County for the loss of revenue. Monies apportioned to this fund by the State also may be transferred to other state funds or otherwise expended as directed by the Legislature. In the event monies apportioned to the Fund are insufficient to pay all claims for reimbursement, claims for reimbursement for loss of revenue due to manufacturing exemptions of ad valorem taxes shall be paid first, and any remaining funds shall be distributed proportionally among the counties making claims for reimbursement for loss of revenue for school district exemptions.

F. Interfund Transfers

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

- \$27,588 was transferred from the Excess Resale Fund (a trust and agency fund) into the Resale Property fund in accordance with 68 O.S. § 3131(C).

OTHER SUPPLEMENTARY INFORMATION

GARVIN 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, 2016

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 1,898,585	\$ 1,898,585	\$ -
Less: Prior Year Outstanding Warrants	(137,699)	(137,699)	-
Less: Prior Year Encumbrances	(140,062)	(136,785)	3,277
Beginning Cash Balances, Budgetary Basis	<u>1,620,824</u>	<u>1,624,101</u>	<u>3,277</u>
Receipts:			
Ad Valorem Taxes	2,355,788	2,298,184	(57,604)
Charges for Services	155,305	171,135	15,830
Intergovernmental Revenues	396,689	403,732	7,043
Miscellaneous Revenues	31,244	342,480	311,236
Total Receipts, Budgetary Basis	<u>2,939,026</u>	<u>3,215,531</u>	<u>276,505</u>
Expenditures:			
District Attorney - County	30,000	29,795	205
County Sheriff	717,045	716,944	101
County Treasurer	256,721	236,672	20,049
County Commissioners	285,327	244,135	41,192
County Commissioners OSU Extension	64,185	64,078	107
County Clerk	252,740	226,098	26,642
Court Clerk	187,706	186,720	986
County Assessor	202,723	182,511	20,212
Revaluation of Real Property	348,669	331,678	16,991
General Government	771,635	237,143	534,492
Excise-Equalization Board	4,928	2,422	2,506
County Election Expenses	111,427	92,191	19,236
Insurance - Benefits	1,030,133	552,189	477,944
County Purchasing Agent	59,046	42,088	16,958
Charity	12,000	638	11,362
Emergency Management	55,948	43,425	12,523
County Audit Budget Account	39,214	25,232	13,982
Free Fair Budget Account	130,403	129,230	1,173
Total Expenditures, Budgetary Basis	<u>4,559,850</u>	<u>3,343,189</u>	<u>1,216,661</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	1,496,443	<u>\$ 1,496,443</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		125,510	
Add: Current Year Encumbrances		230,916	
Ending Cash Balance		<u>\$ 1,852,869</u>	

**GARVIN COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
COUNTY HEALTH DEPARTMENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 445,224	\$ 445,226	\$ 2
Less: Prior Year Outstanding Warrants	(36,200)	(36,200)	-
Less: Prior Year Encumbrances	(55,113)	(51,687)	3,426
Beginning Cash Balances, Budgetary Basis	353,911	357,339	3,428
Receipts:			
Ad Valorem Taxes	589,521	572,398	(17,123)
Charges for Services	-	255	255
Miscellaneous Revenues	3,307	52,304	48,997
Total Receipts, Budgetary Basis	592,828	624,957	32,129
Expenditures:			
Health and Welfare	946,739	623,295	323,444
Total Expenditures, Budgetary Basis	946,739	623,295	323,444
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	359,001	\$ 359,001
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		2,245	
Add: Current Year Outstanding Warrants		92,933	
Ending Cash Balance		\$ 454,179	

GARVIN COUNTY, OKLAHOMA
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS—
REMAINING AGGREGATE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Beginning Cash Balances July 1, 2015	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2016
Remaining Aggregate Funds:				
RT-105	\$ 2,378,454	\$ 360,446	\$ 1,147,215	\$ 1,591,685
RT-103	17,288	114	-	17,402
Emergency Manager	3,387	1,000	-	4,387
County Health Department Grant	6,759	-	3,203	3,556
Reward Fund	400	-	-	400
Civil Defense	19	-	-	19
County Clerk Lien Fee	424,241	113,990	56,354	481,877
County Treasurer Mortgage Certification Fee	102,131	3,835	1,441	104,525
County Assessor Revolving Fund	23,207	6,505	11,931	17,781
County Assessor Hardware	160	-	-	160
Community Service Sentencing Program	1,302	-	-	1,302
Sheriff Drug Enforcement	1,336	1,355	400	2,291
Sheriff Drug Task Force	75	-	-	75
CDBG-B Architect	-	191,841	191,841	-
Fair Barn	3,913	2,400	3,853	2,460
911 County-Wide	149,127	257,482	200,020	206,589
911 Wireless	156,705	139,674	212,301	84,078
Sheriff Training	1,977	250	960	1,267
GOLTB 96	367,280	1,263	-	368,543
GOLTB 97	693	-	-	693
Hazard Mitigation Grant	2,785	-	-	2,785
Combined Total - Remaining Aggregate Funds	\$ 3,641,239	\$ 1,080,155	\$ 1,829,519	\$ 2,891,875

**GARVIN COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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:

RT-105 – accounts for monies collected from Oklahoma Department of Transportation and disbursements are restricted for road and bridge projects.

RT-103 – accounts for monies collected from Oklahoma Department of Transportation and disbursements are restricted for bridge projects.

Emergency Manager – accounts for monies collected from State and Local Agreements (SLA) grants and disbursed for operations of the command center for the emergency manager.

County Health Department Grant – accounts for monies received for a National Association of County and City Health Officials (NACCHO) grant and disbursed for Medical Reserve Corps units.

Reward Fund – accounts for monies collected from fines for dumping/littering and disbursed for "No Dumping" signs.

Civil Defense – accounts for the receipt and disbursement of funds from state and local governments for civil defense purposes.

County Clerk Lien Fee – accounts for lien collections and disbursements as restricted by statute.

County Treasurer Mortgage Tax Certification Fee – accounts for the collection of fees by the Treasurer for mortgage tax certificates and the disbursement of the funds as restricted by statutes.

**GARVIN COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

County Assessor Hardware – accounts for the collection of funding through the state for computer equipment.

Community Service Sentencing Program – accounts for the collection of funding through the State Department of Corrections for administrative expenses and supervision of offenders.

Sheriff Drug Enforcement – accounts for proceeds from drug forfeitures and is used for payments for the purchase of illegal drugs in sting operations.

Sheriff Drug Task Force – accounts for proceeds from drug forfeitures and used to purchase equipment.

CDBG-B Architect – accounts for monies received and disbursed as restricted by grant agreement.

Fair Barn – accounts for the collection of revenue generated from building rent, booth rental, and other fees to be used for fair expenses.

911 County-Wide – accounts for revenues from various telecommunication companies and disbursements are provided for the operation of the Emergency 911 system.

911 Wireless – accounts for monies received from the wireless telephone companies for operation of the emergency 911 services.

Sheriff Training – accounts for court ordered restitution and donations and disbursed for training purposes only.

GOLTB 96 – accounts for the collection of interest from invested general obligation limited tax bonds.

GOLTB 97 – accounts for collection of interest from invested general obligation limited tax bonds.

Hazard Mitigation Grant – accounts for grant funds received from the Federal Emergency Management Agency and disbursements are made to individuals for safe room projects.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**GARVIN COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed Through State Department of Commerce:			
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	15927 CDBG 08	\$ 147,750
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	15568 CDBG 13	147,750
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	15953 CDBG 14	<u>182,841</u>
Total U.S. Department of Housing and Urban Development			<u>478,341</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed Through the Oklahoma Department of Emergency Management			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR-4222	434,160
Emergency Management Performance Grants	97.042		<u>20,000</u>
Total U.S. Department of Homeland Security			<u>454,160</u>
Total Expenditures of Federal Awards			<u>\$ 932,501</u>

**GARVIN COUNTY, OKLAHOMA
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of Garvin County, and is presented on the *cash basis of accounting*. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance.

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
GARVIN 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 Garvin County, Oklahoma, as of and for the year ended June 30, 2016, and the related notes to the financial statement, which collectively comprises Garvin County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated May 14, 2018.

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, 2016, 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 Garvin 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 Garvin County's internal control. Accordingly, we do not express an opinion on the effectiveness of Garvin 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 questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 questioned costs to be material weaknesses: 2016-001, 2016-002, and 2016-004.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Garvin 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 questioned costs as item 2016-004.

We noted certain matters regarding statutory compliance that we reported to the management of Garvin County, which are included in Section 4 of the schedule of findings and questioned costs contained in this report.

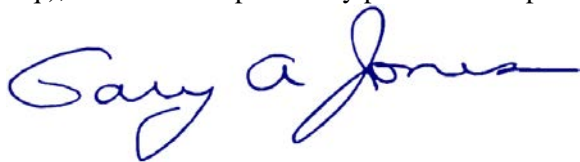
Garvin County's Responses to Findings

Garvin County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Garvin 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.

A handwritten signature in blue ink that reads "Gary A. Jones". The signature is fluid and cursive, with the first letters of each name being capitalized and prominent.

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

May 14, 2018



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 Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

TO THE OFFICERS OF
GARVIN COUNTY, OKLAHOMA

Report on Compliance for Each Major Federal Program

We have audited the compliance of Garvin County, Oklahoma, with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Garvin County's major federal program for the year ended June 30, 2016. Garvin County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Garvin County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Garvin County's compliance.

Opinion on Each Major Federal Program

In our opinion, Garvin County, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of Garvin County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Garvin County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Garvin County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2016-010 and 2016-011 to be material weaknesses.

This report is intended solely for the information and use of management, those charged with governance, others within the entity, and is not intended to be and should not be used by anyone other than the specified parties. This report is also a public document pursuant to the Oklahoma Open Records Act (51 O.S., section 24A.1 et seq.), and shall be open to any person for inspection and copying.



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

May 14, 2018

**GARVIN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

SECTION 1—Summary of Auditor’s Results

Financial Statements

Type of auditor's report issued:.....Adverse as to GAAP; unqualified as to statutory presentation

Internal control over financial reporting:

- Material weakness(es) identified?..... Yes
- Significant deficiency(ies) identified? None reported

Noncompliance material to financial statements noted?..... Yes

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?..... Yes
- Significant deficiency(ies) identified? None Reported

Type of auditor's report issued on
compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported
in accordance with 2 CFR § 200.516(a) of the Uniform Guidance?..... Yes

Identification of Major Programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community Development Block Grants/State’s program and Non- Entitlement Grants in Hawaii

Dollar threshold used to distinguish between
Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?..... No

**GARVIN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

SECTION 2—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 2016-001 – Inadequate County-Wide Controls (Repeat Finding)

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

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

Effect of Condition: Without an adequate system of county-wide internal controls, there is risk of a breakdown in control activities which could result in unrecorded transactions, undetected errors, or misappropriation of funds.

Recommendation: The Oklahoma State Auditor & Inspector's Office (OSAI) recommends that the County design and implement procedures to identify and address risks. OSAI also recommends that the County design monitoring procedures to assess the quality of performance over time. These procedures should be written policies and procedures and could be included in the County's policies and procedures handbook.

Management Response:

Chairman, Board of County Commissioners: We are aware of the condition and will work toward assessing and identifying risks to design written county-wide controls to address the seventeen (17) principles as outlined in the Standards for Internal Control in the Federal Government, (green book). The Board of County Commissioners will also work set up quarterly meetings with all elected officials to discuss and take action regarding risk management and monitoring.

Criteria: Internal control is an integral component of an organization's management that provides reasonable assurance that the objectives of effectiveness and efficiency of operations, reliability of financial reporting and compliance with laws and regulations are being met. Internal control comprises the plans, methods, and procedures used to meet missions, goals, and objectives. Internal control also serves as the first line of defense in safeguarding assets and preventing and detecting errors and fraud. County management is responsible for designing a county-wide internal control system comprised of Risk Assessment and Monitoring for the achievement of these goals.

Risk Assessment is a component of internal control which should provide for an assessment of the risks the County faces from both internal and external sources. Once risks have been identified, they should be analyzed for their possible effect. Management then has to formulate an approach for risk management and decide upon the internal control activities required to mitigate those risks and achieve the internal control objectives.

**GARVIN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Monitoring is a component of internal control which should assess the quality of performance over time and ensure that the findings of audits and other reviews are promptly resolved. Ongoing monitoring occurs during normal operations and includes regular management and supervisory activities, comparisons, reconciliations, and other actions people take in performing their duties. It includes ensuring that management know their responsibilities for internal control and the need to make control monitoring part of their regular operating process.

Finding 2016-002 – Inadequate Internal Controls Over Information Technology – County Clerk and County Treasurer (Repeat Finding)

Condition: Upon review of the computer systems within the office of the County Clerk and County Treasurer, it was noted that there does not appear to be adequate internal controls in place to safeguard data from unauthorized modification, loss, or disclosure. The specifics of the condition has been sanitized to protect the County Pursuant to the provision of 51 O.S. § 24A.28.

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

Effect of Condition: This condition could result in compromised security for computers, computer programs, and data.

Recommendation: OSAI recommends the County comply with best practices presented in the criteria. The specifics of the recommendation has been sanitized to protect the County pursuant to the provision of 51 O.S. § 24A.28.

Management Response:

County Clerk: The County Clerk’s office will implement the necessary controls.

County Treasurer: The County Treasurer’s office will contact the software vendor and implement the necessary controls.

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

**GARVIN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Finding 2016-004 – Inadequate Internal Controls and Noncompliance Over Cash Disbursements

Condition: Upon inquiry and observation of the County Clerk's and County Treasurer's office for the cash disbursements processes, we noted the following weaknesses:

- Purchasing duties are not adequately segregated; the same employee has the ability to prepare purchase orders, encumber purchase orders, review purchase orders for accuracy, print warrants, and distribute warrants.
- Duties with regards to cash disbursements, through the cash voucher process, are not adequately segregated; one employee is responsible for voucher entries into the software system, and issuing, signing, and registering vouchers with the County Treasurer.
- With regards to signature stamps, each employee within the Treasurer's office has control of the Treasurer's signature stamp.

Further, in the audit of sixty-five (65) purchase orders, which totaled 38% of the total cash disbursements issued by purchase order, reflected the following:

- Two (2) of the disbursements were authorized/reviewed by the same individual whom prepared it.
- Eight (8) of the disbursements did not have proper supporting documentation attached.
- Four (4) of the disbursements were not encumbered prior to the receipt of goods, services, and/or invoice.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure adequate internal controls with regards to separating the duties over cash disbursements and safeguarding against unauthorized use, modification, loss, or disclosure.

Effect of Condition: These conditions resulted in noncompliance with state statutes. Further, these conditions could result in unauthorized and unrecorded transactions, misstated financial reports, undetected errors, and/or misappropriation of funds.

Recommendation: OSAI recommends policies and procedures be designed and implemented to ensure the adequate security of signature stamps, and key accounting functions of the purchasing process be adequately segregated. Further, the County should implement procedures to ensure compliance with purchasing statutes. In addition, we recommend all purchases be properly requisitioned, encumbered, approved, and received with proper supporting documentation attached.

Management Response:

County Clerk: The County Clerk's office is aware of this condition and will work to implement compensating controls to mitigate the risks involved with a concentration of duties.

County Treasurer: The County Treasurer's office will implement the necessary controls over the signature stamp.

**GARVIN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Chairman, Board of County Commissioners: The Board of County Commissioners will express to fellow County Officials the importance of County funds being encumbered prior to the receipt of goods and/or services and that invoices and receiving reports are to be attached to purchase orders to support disbursements in accordance with Oklahoma Statutes.

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.

Title 19 O.S. § 1505(C) states in part “...The county purchasing agent shall prepare a purchase order in quadruplicate and submit it with a copy of the requisition to the county clerk; The county clerk shall then encumber the amount stated on the purchase order and assign a sequential number to the purchase order...”

Title 19 O.S. § 1505(C)(2) requires that funds be encumbered prior to the ordering of goods or services.

Title 62 O.S. § 602 states. “Any authorized officer, after filing with the Secretary of State his manual signature certified by him under oath, may execute or cause to be executed with a facsimile signature in lieu of his manual signature any public security, or any certificate thereon or thereto. Upon compliance with this act by the authorized officer, his facsimile signature has the same legal effect as his manual signature.”

SECTION 3—Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

Finding 2016-010 – Inadequate Internal Controls Over Major Programs - CDBG

PASS-THROUGH GRANTOR: Oklahoma Department of Commerce

FEDERAL AGENCY: U.S. Department of Housing and Urban Development

CFDA NO: 14.228

FEDERAL PROGRAM NAME: Community Development Block Grants/State’s program and Non-Entitlement Grants in Hawaii

FEDERAL AWARD YEAR: 2016

CONTROL CATEGORY: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort and Earmarking; Period of Performance; Procurement and Suspension and Debarment; Reporting; and Special Tests and Provisions

QUESTIONED COSTS: \$-0-

Condition: During the process of documenting the County’s internal controls regarding federal disbursements, we noted that Garvin County has not established procedures to ensure compliance with the

**GARVIN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

following compliance requirements: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort and Earmarking; Period of Performance; Procurement and Suspension and Debarment; Reporting; and Special Tests and Provisions.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure federal expenditures are made in accordance with federal compliance requirements.

Effect of Condition: This condition could result in noncompliance to grant requirements and loss of federal funds to the County.

Recommendation: OSAI recommends that the County implement a system of internal controls to ensure compliance with grant requirements.

Management Response:

County Commissioner District 1, 2, and 3: The Board of County Commissioners will work to ensure internal controls are designed and implemented.

Criteria: *Title 2 CFR § 200.303(a) Internal Controls* reads as follows:

The non-Federal entity must:

Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Finding 2016-011 – Inadequate County-Wide Controls Over Major Federal Programs - CDBG

PASS-THROUGH GRANTOR: Oklahoma Department of Commerce

FEDERAL AGENCY: U.S. Department of Housing and Urban Development

CFDA NO: 14.228

FEDERAL PROGRAM NAME: Community Development Block Grants/State’s program and Non-Entitlement Grants in Hawaii

FEDERAL AWARD YEAR: 2016

CONTROL CATEGORY: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort and Earmarking; Period of Performance; Procurement and Suspension and Debarment; Reporting; and Special Tests and Provisions

QUESTIONED COSTS: \$-0-

Condition: County-wide controls regarding Control Environment, Risk Assessment, Information and Communication, and Monitoring have not been designed.

**GARVIN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Cause of Condition: Policies and procedures have not been designed and implemented to ensure the County is in compliance with grant requirements.

Effect of Condition: This condition could result in noncompliance to grant requirements.

Recommendation: OSAI recommends the County implement a system of internal controls to ensure compliance with grant requirements.

Management Response:

County Commissioner District 1, 2, and 3: We will work to implement a risk assessment plan. We will implement controls to help make sure we are in compliance with all grant requirements and federal funds are expended in accordance with grant agreements and in a timely manner. We will ensure employees have the current and correct compliance supplement to work from. Furthermore, we will work with the County Treasurer and County Clerk's office to ensure all checks and balances are done correctly.

Criteria: Internal control is an integral component of an organization's management that provides reasonable assurance that the objectives of effectiveness and efficiency of operations, reliability of financial reporting and compliance with laws and regulations are being met. Internal control comprises the plans, methods, and procedures used to meet missions, goals, and objectives. Internal control also serves as the first line of defense in safeguarding assets and preventing and detecting errors and fraud.

County management is responsible for designing a county-wide internal control system comprised of Control Environment, Risk Assessment, Information and Communication, and Monitoring for the achievement of these goals.

The control environment is the foundation for all other components of internal control. When management believes that internal controls are important to meeting its goals and objectives and communicate this belief to its employees at all levels, internal controls are more likely to be functioning well. However, if management views internal controls as unrelated to achieving its goal and objectives, or even as an obstacle, it is almost a certainty that this attitude will be held by all employees, despite official statements or policies to the contrary. This understanding by management of the importance of internal controls and the communication of this importance to its employees are key elements of the control environment.

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 or efficient and effective operations, reliable financial reporting, and compliance with laws and regulations.

Information and communication is a major component of internal control. For a county to run and control its operations, it must have relevant, reliable information, both financial and nonfinancial. That information should be recorded and communicated to management and others within the County who need it and in a form and within a time frame that enables them to carry out their internal control and operational

**GARVIN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

responsibilities. In addition, the county needs to make sure that the forms of communications are broad-based and that information technology management assures useful, reliable, and continuous communications.

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.

SECTION 4—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 2016-005 – Inadequate Internal Controls and Noncompliance Over Inmate Trust Fund Checking Account and the Sheriff Commissary Fund (Repeat Finding)

Condition: An audit of the Inmate Trust Fund Checking Account and the Sheriff Commissary Fund reflected the following;

- The inmate ledger was not reconciled to the bank statements.
- Expenditures made from the Inmate Trust Fund are for purposes other than to the Sheriff Commissary Fund or refunds to inmates.
- An annual Commissary Fund report was not filed with the Board of County Commissioners by January 15th.

Cause of Condition: Policies and procedures have not been designed and implemented regarding the Inmate Trust Fund Checking Account and the Sheriff Commissary Fund.

Effect of Condition: These conditions resulted in noncompliance with state statutes. Additionally, 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 following:

- Inmate Trust Fund monies should be maintained in a manner that reflects each inmate’s trust deposits, disbursements, and account balances. The inmate’s ledger balances should be reconciled to the bank statements each month.
- Expenditures should be made from the Inmate Trust Fund Checking Account in accordance with 19 O.S. § 531 A.

**GARVIN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

- The Sheriff should file a report of the Commissary with the Board of County Commissioners by January 15th, of each year.

Management Response:

County Sheriff: The Garvin County Sheriff's Office will ensure that inmate ledgers are reconciled to the bank statements each month, the commissary vendor will no longer be paid from the Inmate Trust Fund Checking Account, but from a County cash fund, and a report to the Board of County Commissioners is completed and filed by the 15th of January for each year.

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 disbursement calculations and/or transactions.

Title 19 O.S. § 531(A) states in part, "...the county sheriff may establish a checking account, to be designated the "Inmate Trust Fund 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."

Title 19 O.S. § 180.43(D) states in part, "...the sheriff shall file an annual report on any said commissary under his or her operation no later than January 15 of each year..."

Finding 2016-008 – Noncompliance Over Court Fund Disbursements

Condition: The audit of twenty-five (25) Court Fund vouchers reflected that thirteen (13) Court Fund claims did not have adequate supporting documentation.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure all disbursements are supported by adequate documentation.

Effect of Condition: These conditions resulted in noncompliance with state statute, laws, and regulations, and could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner.

Recommendation: OSAI recommends the Court Clerk adhere to state statute and guidelines regarding Court Fund voucher claims and ensure the required supporting documentation is attached.

Management Response:

Court Clerk: We will work toward correcting these conditions.

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

**GARVIN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

disbursements and/or transactions. Effective accounting procedures also include maintaining invoices and/or supporting documentation for all expenditures of the Court Fund. Invoices, receiving reports, and supporting documentation are important to verify the mathematical accuracy and validity of the expenditure.

Title 20 O.S § 1304 prescribes procedures for expending Court Fund monies.

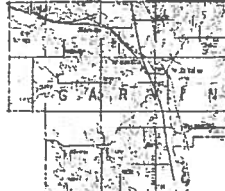
APPENDIX A

CORRECTIVE ACTION PLAN

(Prepared by County Management)

GARVIN COUNTY
BOARD OF COUNTY COMMISSIONERS

Telephone: 405-238-2685
 201 W Grant
 Pauls Valley, OK 73075



Stan Spivey, District One
 Gary Ayres, District Two
 Johnny Mann, District Three

Corrective Action Plan
in accordance with 2 CFR § 200.511c
for the fiscal year ended June 30, 2016

Finding No.	Title (Financial) or CFDA No. & Program Name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-001	Inadequate County-Wide Controls	The Board of County Commissioners will work with all County Officials to assess and identify risks for the purpose of designing written county-wide controls.	7-1-18	Johnny Mann, BOCC Chairman
2016-002	Inadequate Internal Controls Over Information Technology – County Clerk and County Treasurer	The software vendor will be contacted and the necessary controls will be implemented.	7-1-18	Johnny Mann, BOCC Chairman
2016-004	Inadequate Internal Controls and Noncompliance Over Cash Disbursements	We will work to segregate the duties of the disbursement process and initiate controls over signature stamps. We will also discuss with each requisitioning officer about the importance of properly encumbering funds and attaching proper documentation.	7-1-18	Johnny Mann, BOCC Chairman
2016-010	14.228 Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	We will implement controls to help make sure we are in compliance with all grant requirements and federal funds are expended in accordance with grant agreements and in a timely manner. We will ensure employees have the current and correct compliance supplement to work from. Furthermore, we will work with the County Treasurer and County Clerk's office to ensure all checks and balances are done correctly.	7-1-18	Johnny Mann, BOCC Chairman

Finding Number	Title (Financial) or CFDA Number and Program Name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-011	14.228 Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	We will work to implement a risk assessment plan. We will implement controls to help make sure we are in compliance with all grant requirements and federal funds are expended in accordance with grant agreements and in a timely manner. We will ensure employees have the current and correct compliance supplement to work from. Furthermore, we will work with the County Treasurer and County Clerk's office to ensure all checks and balances are done correctly.	7-1-18	Johnny Mann, BOCC Chairman

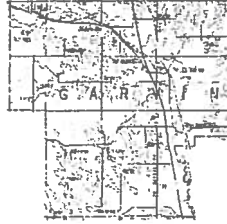
APPENDIX B

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

(Prepared by County Management)

GARVIN COUNTY
BOARD OF COUNTY COMMISSIONERS

Telephone: 405-238-2685
201 W Grant
Pauls Valley, OK 73075



Stan Spivey, District One
Gary Ayres, District Two
Johnny Mann, District Three

**Summary Schedule of Prior Audit Findings
in accordance with 2 CFR § 200.511c
for the fiscal year ended June 30, 2016**

FINANCIAL AUDIT FINDINGS

Finding 2008-1, 2012-1

Inadequate Segregation of Duties Over Cash Receipts and Cash Balances

Finding Summary: The County Treasurer has segregated the duties of preparing/reviewing deposits and performing bank reconciliations; however, the employees who perform these duties also issue receipts and prepare journal entries. In addition, all employees work from the same two cash drawers. For mail-in payments, all employees can open the mail and issue receipts. A daily mail log is not maintained, and there is no independent oversight of the accuracy of the compilation of the monthly reports.

Status: Corrective action was taken.

Finding 2012-2, 2013-3, 2014-3

Inadequate Internal Controls and Noncompliance Over the Disbursement Process

Finding Summary: We noted the following weaknesses regarding the disbursement process:

- The Purchasing Agent reviews the supporting documentation and the purchase order for accuracy and completion, makes any needed adjustments, prints warrants, and mails the signed warrants to the vendors.
- The duties of processing payroll are not adequately segregated. The Payroll Clerk enrolls new hires, makes payroll changes, runs verification reports, prints payroll checks, distributes the payroll checks, and maintains personnel files.

While testing sixty-five (65) purchase orders, we noted the following:

- Four (4) were not properly reviewed and/or authorized.
- Two (2) were not timely encumbered.
- Nine (9) were not supported with proper documentation, (i.e., receiving reports).

Status: No corrective action taken. This finding has been reoccurring due to the lack of funding to hire sufficient personnel to segregate all functions within each office, and due to lack of training regarding the County Purchasing Act within certain offices.

Finding 2012-3

Inadequate Internal Controls and Noncompliance Over Pledged Collateral

Finding Summary: Based upon inquiry of the County Treasurer's staff and observation of records, we noted the following:

- The County Treasurer did not document that pledged collateral was monitored on a daily basis to ensure that County deposits were secure.
- Significant controls have not been adequately implemented to ensure daily bank balances are sufficiently collateralized.

Additionally, the general bank account was under-pledged in October 2011 and the official depository account was under-pledged in November and December 2011.

Status: Corrective action was taken.

Finding 2012-9, 2013-1, 2014-1

Inadequate County – Wide Controls

Finding Summary: County-wide controls regarding Risk Assessment and Monitoring have not been designed.

Status: No corrective action taken. This finding has been reoccurring due to the lack of training on how to design county-wide controls and how to incorporate into the County's written policy. As part of our design of County Wide Controls, we plan to incorporate a checklist into our quarterly assessment meetings.

Finding 2012-10

Disaster Recovery Plan

Finding Summary: The offices of County Assessor, County Sheriff, and Court Clerk do not have a written Disaster Recovery Plan.

Status: Corrective action was taken.

FEDERAL AUDIT FINDINGS

Finding 2012-11

Inadequate Internal Controls Over Federal Compliance Requirements – FEMA

Pass-Through Grantor: Oklahoma Department of Emergency Management

Federal Agency: U.S. Department of Homeland Security

CFDA NO: 97.036

Federal Program Name: Disaster Grants - Public Assistance (Presidentially Declared Disasters)

Federal Grant Award Number: DR-1876, DR-1883

Federal Award Year: 2012

Control Category: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Earmarking; Period of Availability of Federal Funds; Procurement and Suspension and Debarment; Reporting; and Special Tests and Provisions

QUESTIONED COSTS: \$0-

Finding Summary: During the process of documenting the County's internal controls regarding federal disbursements, we noted the County has not established procedures to ensure compliance with the following compliance requirements: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Earmarking, Level of Effort, Period of Availability of Federal Funds; Procurement and Suspension and Debarment; Reporting and Special Tests and Provisions.

Status: The Garvin County Board of County Commissioners do not feel this finding warrants further action because two years have passed since the audit report was submitted to the Federal Clearinghouse, the Federal agency or pass-through entity is not currently following up with the County regarding this finding, and a management decision has not been issued.

Finding 2012-12 – County-Wide Controls Over Major Programs – FEMA

PASS-THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: U.S. Department of Homeland Security

CFDA NO: 97.036

Federal Program Name: Disaster Grants - Public Assistance (Presidentially Declared Disasters)

Federal Grant Award Number: DR-1876, DR-1883

FEDERAL AWARD YEAR: 2012

CONTROL CATEGORY: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash

Management; Matching, Earmarking; Period of Availability of Federal Funds; Procurement and Suspension and Debarment; Reporting; and Special Tests and Provisions

QUESTIONED COSTS: \$-0-

Finding Summary: County-wide controls regarding Control Environment, Risk Assessment, Information and Communication, and Monitoring have not been designed.

Status: The Garvin County Board of County Commissioners do not feel this finding warrants further action because two years have passed since the audit report was submitted to the Federal Clearinghouse, the Federal agency or pass-through entity is not currently following up with the County regarding this finding, and a management decision has not been issued.



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

WWW.SAI.OK.GOV