

COUNTY AUDIT

GREER COUNTY

For the fiscal year ended June 30, 2013



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



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

**GREER COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

This publication, issued by the Oklahoma State Auditor and Inspector's Office as authorized by 19 O.S. § 171, has not been printed, but is available on the agency's website (www.sai.ok.gov) and in the Oklahoma Department of Libraries Publications Clearinghouse Digital Collection, pursuant to 74 O.S. § 3105.B.



Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405-521.3495 • Fax: 405-521.3426

August 6, 2014

TO THE CITIZENS OF
GREER COUNTY, OKLAHOMA

Transmitted herewith is the audit of Greer County, Oklahoma for the fiscal year ended June 30, 2013. The audit was conducted in accordance with 19 O.S. § 171.

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

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

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

Sincerely,

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

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

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

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

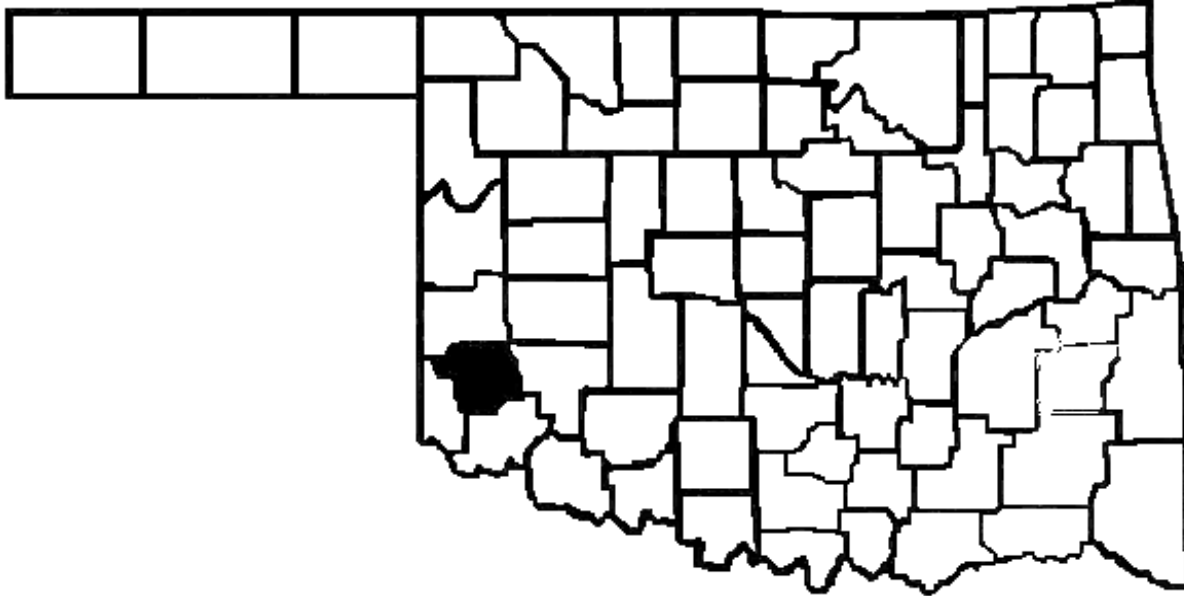
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**GREER COUNTY, OKLAHOMA
STATISTICAL INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**



Claimed by both Texas and the United States, Greer was adjudged by the U.S. Supreme Court to be part of Indian Territory in 1896 and was soon attached and opened for settlement. At the time of the Oklahoma Constitutional Convention, the area was divided among Beckham, Greer, and Jackson counties. Following statehood, Greer County was further divided to create Harmon County. The county was named for Texas Lieutenant Governor John A. Greer.

The first meeting of the United States and the Plains Indians took place July 21, 1834, in a local Wichita village on Devil's Canyon. In attendance were Lt. Jefferson Davis and artist George Catlin.

Willis Granite Products, Inc. and the Mangum Brick Plant, located in the county seat, add to the economy.

The first shelter belt in the U.S. was established north of Mangum in 1936. Quartz Mountain State Park, the Sandy Sanders Wildlife Area (founded in 1986 and containing 16,000 acres), and Lake Altus provide recreational opportunities. The Oklahoma Summer Arts Institute takes place each June at Quartz Mountain Lodge, while the last weekend in April offers a rattlesnake derby and flea market at Mangum.

County Seat – Mangum

Area – 643.66 Square Miles

County Population – 6,082
(2012 est.)

Farms – 571

Land in Farms – 375,447 Acres

Primary Source: Oklahoma Almanac 2013-2014

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

Board of County Commissioners

District 1 – Brent York
District 2 – Jerald Gifford
District 3 – Steven Fite

County Assessor

Donna Giddens

County Clerk

Jackie Cloyd

County Sheriff

Devin Huckabay

County Treasurer

Donna Bull

Court Clerk

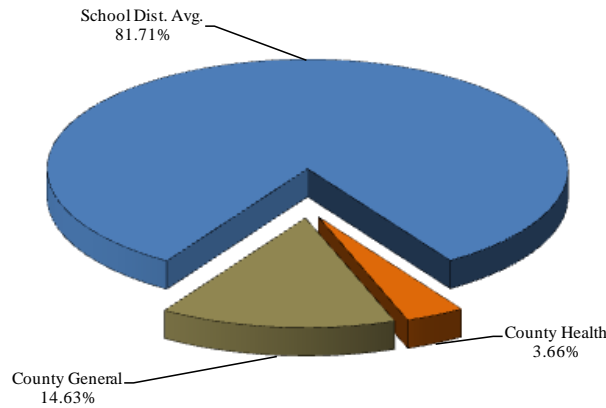
Sandra Hopingardner

District Attorney

John Wampler

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

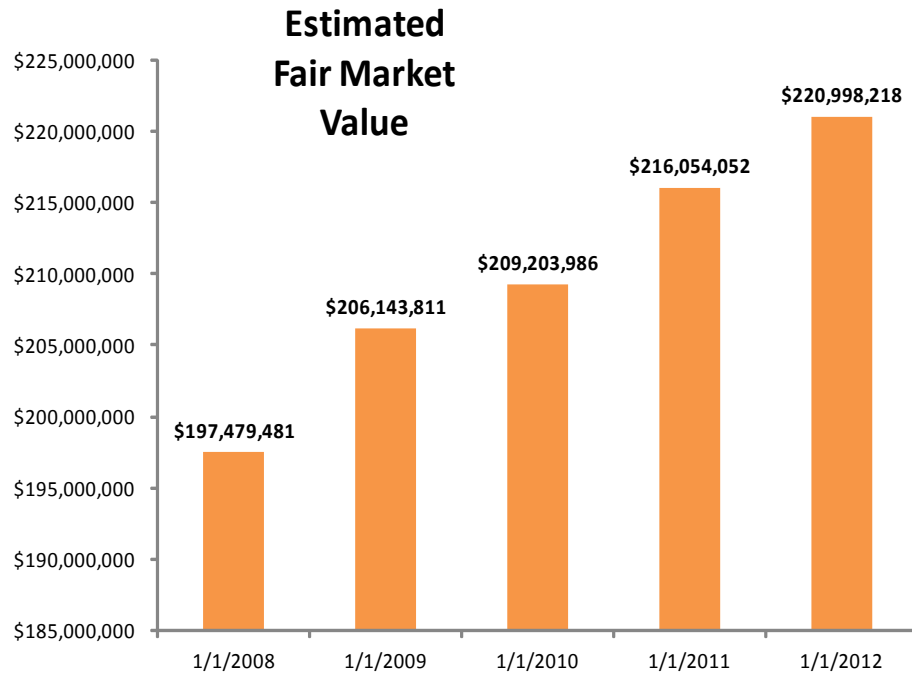
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the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



County-Wide Millages		School District Millages								
				Gen.	Bldg.	Skg.	Career			Total
							Tech	Common	EMS	
County General	10.63									
County Health	2.66	Mangum	I-1	37.34	5.33	10.75	-	4.25	3.20	60.87
		Granite	I-3	37.17	5.31	4.30	10.58	4.25	-	61.61
		School District	66-H	36.00	5.14	-	-	4.25	-	45.39
		School District	I-J	35.16	5.02	4.33	10.58	4.25	-	59.34
		School District	14J	35.80	5.11	4.23	10.58	4.25	-	59.97
		School District	54J	37.03	5.29	6.02	10.58	4.25	-	63.17
		School District	2K	35.67	5.10	-	12.74	4.25	-	57.76
		School District	31-BSC	36.79	5.26	3.25	12.74	4.25	-	62.29
		School District	31-B	35.29	5.04	3.25	12.74	4.25	-	60.57
		Meritt SD	10-BMC	37.88	5.41	-	12.74	4.25	-	60.28
		School District	51-B	40.91	5.84	8.53	-	4.25	-	59.53

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

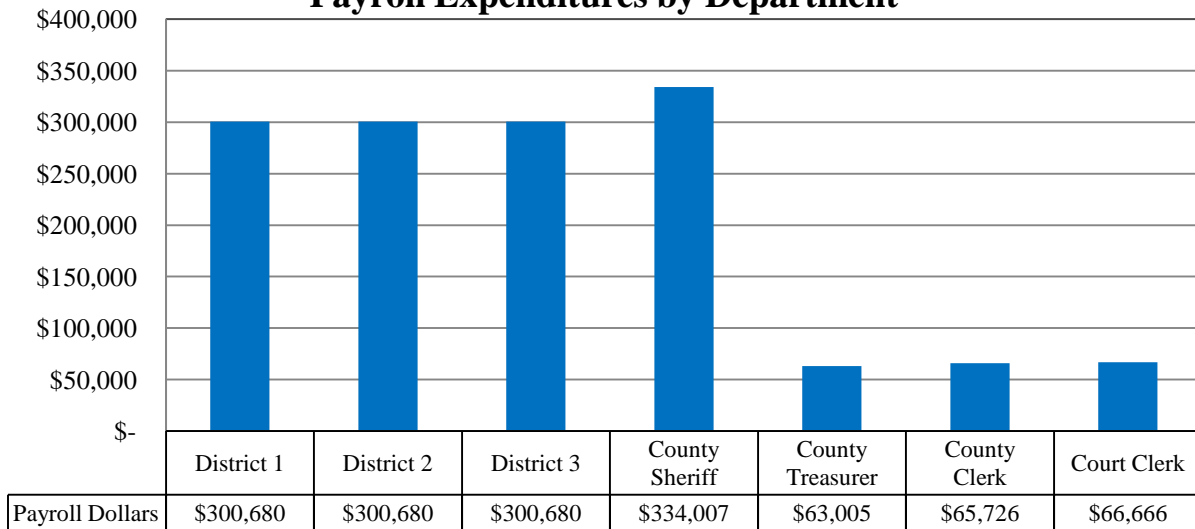
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2012	\$3,877,052	\$2,373,183	\$22,171,834	\$1,536,894	\$26,885,175	\$220,998,218
1/1/2011	\$3,855,149	\$2,735,962	\$21,405,538	\$1,587,338	\$26,409,311	\$216,054,052
1/1/2010	\$3,629,029	\$2,023,202	\$21,138,742	\$1,612,476	\$25,178,497	\$209,203,986
1/1/2009	\$3,802,726	\$2,097,113	\$20,593,748	\$1,627,494	\$24,866,093	\$206,143,811
1/1/2008	\$3,225,386	\$2,100,052	\$20,014,357	\$1,648,737	\$23,691,058	\$197,479,481



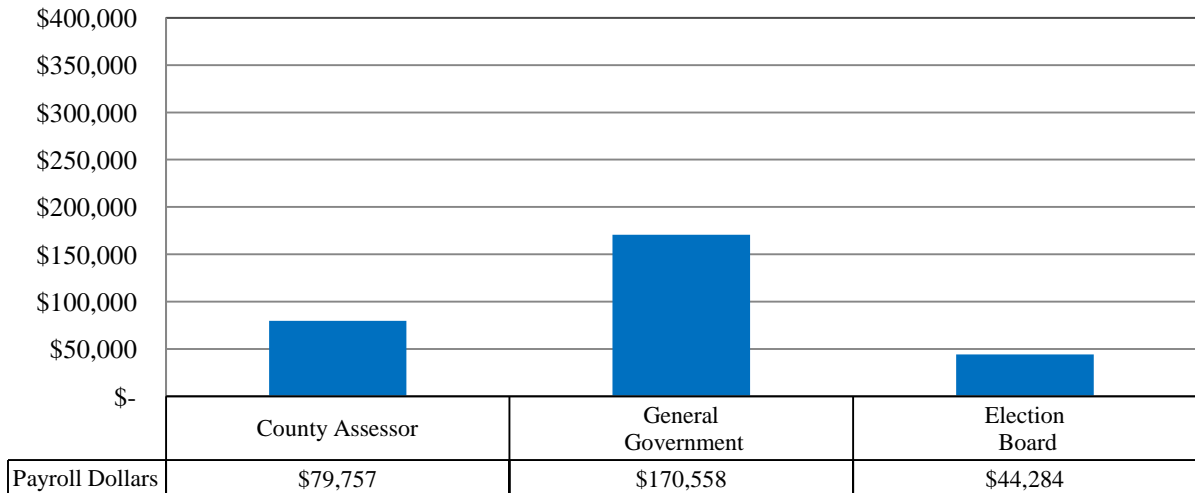
**GREER COUNTY, OKLAHOMA
COUNTY PAYROLL EXPENDITURES ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

County officers' salaries are based upon the assessed valuation and population of the counties. State statutes provide guidelines for establishing elected officers' salaries. The Board of County Commissioners sets the salaries for all elected county officials within the limits set by the statutes. The designated deputy or assistant's salary cannot exceed the principal officer's salary. Salaries for other deputies or assistants cannot exceed the principal officer's salary. The information presented below is for the fiscal year ended June 30, 2013.

Payroll Expenditures by Department



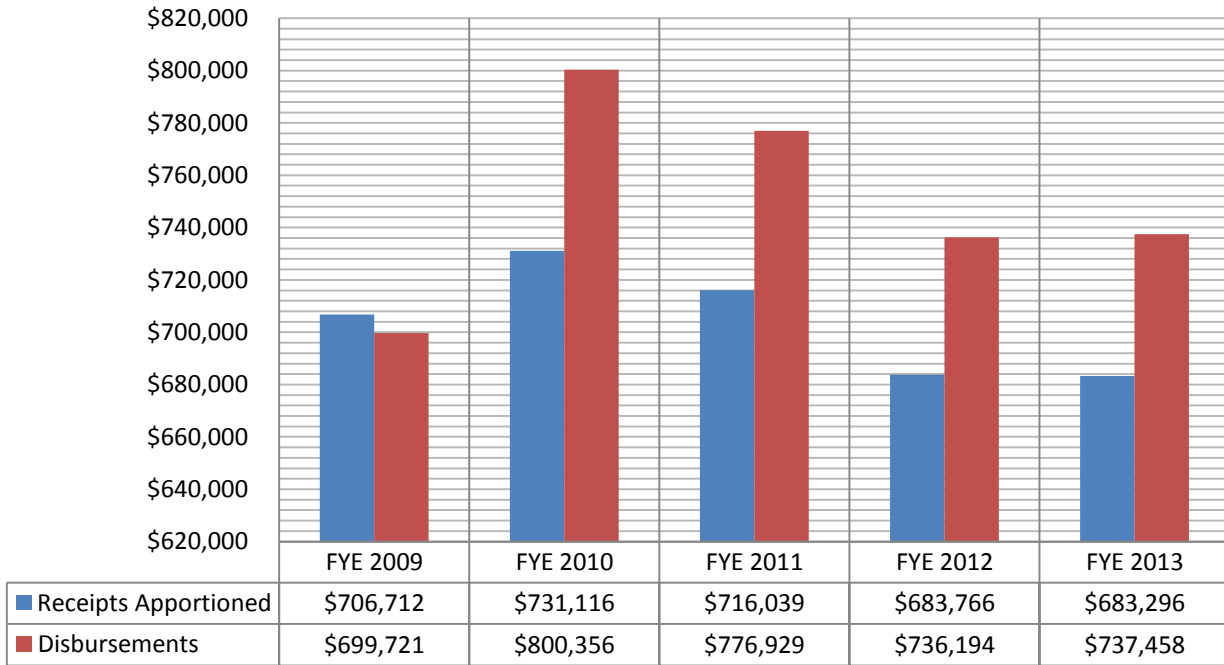
Payroll Expenditures by Department



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

County General Fund

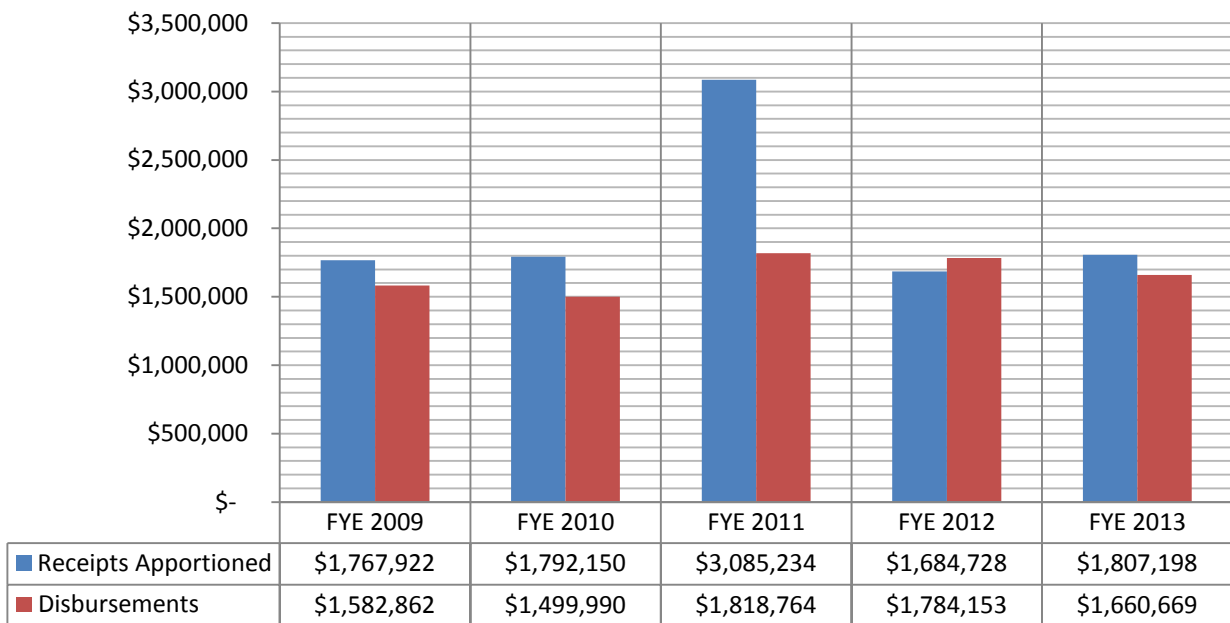
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also provides revenue for various budget accounts and accounts that support special services and programs. The Board of County Commissioners must review and approve all expenditures made from the County General Fund. The primary revenue source for the County General Fund is usually the county's ad valorem tax collected on real, personal (if applicable), and public service property. Smaller amounts of revenue can come from other sources such as fees, sales tax, use tax, state transfer payments, in-lieu taxes, and reimbursements. The chart below summarizes receipts and disbursements of the County's General Fund for the last five fiscal years.



**GREER COUNTY, OKLAHOMA
COUNTY HIGHWAY FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

County Highway Fund

The County receives major funding for roads and highways from a state imposed fuel tax. Taxes are collected by the Oklahoma Tax Commission. Taxes are imposed on all gasoline, diesel, and special fuel sales statewide. The County's share is determined on formulas based on the County population, road miles, and land area and is remitted to the County monthly. These funds are earmarked for roads and highways only and are accounted for in the County Highway Fund. The chart below summarizes receipts and disbursements of the County's Highway Fund for the last five fiscal years.



FINANCIAL SECTION



Oklahoma State Auditor & Inspector

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

Independent Auditor's Report

TO THE OFFICERS OF
GREER 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 Greer County, Oklahoma, as of and for the year ended June 30, 2013, listed in the table of contents as the financial statement.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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

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

As described in Note 1 of the financial statement, the financial statement is prepared by Greer 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 Greer County as of June 30, 2013, or changes in its financial position for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash balances for all county funds of Greer County, for the year ended June 30, 2013, on the basis of accounting described in Note 1.

Other Matters

Other Information

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

The Other Supplementary Information, as listed in the table of contents, is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplementary Information, as listed in the table of contents, is fairly stated, in all material respects, in relation to the combined total—all county funds.

The information listed in the table of contents under Introductory Section has not been subjected to the auditing procedures applied in the audit of the financial statement, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 4, 2014, on our consideration of Greer 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 Greer 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 4, 2014

REGULATORY BASIS FINANCIAL STATEMENT

GREER COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS
(WITH COMBINING INFORMATION)—MAJOR FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Beginning Cash Balances July 1, 2012	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2013
Combining Information:						
Major Funds:						
County General Fund	\$ 252,124	\$ 683,296	\$ 11,242	\$ 14,763	\$ 737,458	\$ 194,441
County Highway Fund	1,404,584	1,807,198	78,372	16,851	1,660,669	1,612,634
County Health Department	100,387	171,068	12,621	-	190,846	93,230
Sheriff Board of Prisoner	26,766	243,945	30	53,780	209,059	7,902
Renovation Sales Tax	306,100	143,268	-	-	187,841	261,527
Economic Development Authority Hotel/Motel Tax	2,682	32,787	-	-	32,854	2,615
Industrial Development Authority Sales Tax	270,768	20,751	-	-	-	291,519
Free Fair Sales Tax	9,722	14,200	-	-	12,885	11,037
OSU Extension Sales Tax	75,700	38,999	-	-	27,353	87,346
Homeland Security Grant	8,062	16,500	-	-	1,356	23,206
County Bridge and Road Improvement 103	164,038	1,034	-	6,955	-	158,117
County Bridge and Road Improvement 105	975,455	246,893	16,851	17,637	-	1,221,562
Remaining Aggregate Funds	237,584	159,812	2,112	-	150,463	249,045
Combined Total - All County Funds	\$ 3,833,972	\$ 3,579,751	\$ 121,228	\$ 109,986	\$ 3,210,784	\$ 4,214,181

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

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

1. Summary of Significant Accounting Policies

A. Reporting Entity

Greer 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.

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.

Sheriff Board of Prisoner – accounts for the collection of monies from the Oklahoma Department of Corrections and disbursements are used for the operation of the Sheriff's department.

Renovation Sales Tax – accounts for the collection of sales tax money to be disbursed for purpose of renovation of the Greer County Courthouse and Sheriff Annex Building.

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

Economic Development Authority Hotel/Motel Tax – accounts for the monies apportioned from hotel and motel tax for economic development in Greer County.

Industrial Development Authority Sales Tax – accounts for monies received from collection of a sales tax, which has been terminated but can only be disbursed for the development of industry in Greer County.

Free Fair Sales Tax – accounts for the collection of sales tax money and the disbursement for the operations of the free fair organization.

OSU Extension Sales Tax – accounts for the collection of sales tax money and the disbursement for the operations of the extension office.

Homeland Security Grant – accounts for the collection of grant money to be disbursed for the purpose of homeland security by Greer County.

County Bridge Road and Improvement Fund 103 – accounts for state receipts and disbursements for the purpose of maintaining bridges and roads.

County Bridge Road and Improvement Fund 105 – accounts for state receipts and disbursements for the purpose of maintaining bridges and roads.

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,

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

each officer or department head submits an estimate of needs to the governing body. The budget is approved for the respective fund by office, or department and object. The County Board of Commissioners may approve changes of appropriations within the fund by office or department and object. To increase or decrease the budget by fund requires approval by the County Excise Board.

E. Cash and Investments

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

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

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

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

2. Ad Valorem Tax

The County's property tax is levied each October 1 on the assessed value listed as of January 1 of the same year for all real and personal property located in the County, except certain exempt property. Assessed values are established by the County Assessor within the prescribed guidelines established by the Oklahoma Tax Commission and the State Equalization Board. Title 68 O.S. § 2820.A. states, ". . . Each assessor shall thereafter maintain an active and systematic program of visual inspection on a continuous basis and shall establish an inspection schedule which will result in the individual visual inspection of all taxable property within the county at least once each four (4) years."

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.

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

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

Effective January 1, 1985, the voters of Greer County approved a one-cent (1%) for an unlimited time period, to be distributed in the following manner: 5% for Free Fair, 15% for OSU Extension; and 80% to the County General Fund. These funds are accounted for in the Free Fair Sales Tax fund, OSU Extension Sales Tax fund, and the County General Fund.

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

Effective October 1, 2002, the voters of Greer County approved a 5% tax of unlimited duration, in which gross proceeds derived from the service of furnishing of rooms by hotels, apartment hotels, or motels and from the furnishing of any other facility for public lodging. The net revenues from such lodging tax are to be apportioned 50% to the General Fund of Greer County and 50% to the Economic Development Authority. These funds are accounted for in the County General Fund and the Economic Development Authority Hotel/Motel Tax fund.

On February 5, 2008, the voters of Greer County approved a 1/2% of 1% (.005%) sales tax for the time period starting July 1, 2008 and ending June 30, 2018. The said sales tax provides funds for restoration, maintenance, and capital improvement for the Greer County Courthouse, Sheriff's Office and County Jail. These funds are accounted for in the Renovation Sales Tax fund.

E. Interfund Transfers

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

- \$11,242 was transferred from Schools, an agency fund, to the County General Fund, as a result of an apportionment error that occurred several years prior to this fiscal year.
- \$14,763 was transferred from the County General Fund to the County Health Department in the amount of \$12,621, the Sheriff Service Fee in the amount of \$2,112, and the Sheriff Board of Prisoner fund in the amount of \$30, as a result of apportionment errors that occurred several years prior to this fiscal year.
- \$16,851 was transferred from the County Highway Fund to the County Bridge and Road Improvement 105 fund.
- \$6,955 was transferred from the County Bridge and Road Improvement 103 fund and \$17,637 was transferred from the County Bridge and Road Improvement 105 fund, for a total of \$24,592 transferred to County Highway Fund for bridge projects.
- \$53,780 was transferred from the Sheriff Board of Prisoner fund to the County Highway Fund to repay payroll expenses made from the County Highway Fund for the Sheriff's department. The Sheriff's Department did not complete the repayment of loaned funds from the County Highway Fund by the end of fiscal year and owed the County Highway Fund \$14,212.

OTHER SUPPLEMENTARY INFORMATION

GREER COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 252,124	\$ 252,124	\$ -
Less: Prior Year Outstanding Warrants	(39,257)	(39,257)	-
Less: Prior Year Encumbrances	(766)	(616)	150
Beginning Cash Balances, Budgetary Basis	<u>212,101</u>	<u>212,251</u>	<u>150</u>
Receipts:			
Ad Valorem Taxes	259,808	281,299	21,491
Sales Tax	180,000	230,793	50,793
Charges for Services	20,000	21,970	1,970
Intergovernmental Revenues	115,422	137,644	22,222
Miscellaneous Revenues	5,000	11,590	6,590
Total Receipts, Budgetary Basis	<u>580,230</u>	<u>683,296</u>	<u>103,066</u>
Expenditures:			
District Attorney	500	500	-
County Sheriff	102,402	100,908	1,494
County Treasurer	64,815	64,815	-
County Clerk	67,354	66,333	1,021
Court Clerk	64,833	64,783	50
County Assessor	64,633	64,633	-
Revaluation of Real Property	60,519	28,775	31,744
General Government	100,915	100,070	845
Excise-Equalization Board	4,587	3,799	788
County Election Board	49,642	49,581	61
Insurance	209,442	192,059	17,383
County Audit Budget Account	2,689	-	2,689
Total Expenditures, Budgetary Basis	<u>792,331</u>	<u>736,256</u>	<u>56,075</u>

Continued on next page

**GREER 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, 2013**

	General Fund		
	Budget	Actual	Variance
Continued from previous page			
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	159,291	\$ 159,291
Operating Transfers:			
Transfer In		11,242	
Transfer Out		(14,763)	
Net Operating Transfers		(3,521)	
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		37,871	
Add: Current Year Encumbrances		800	
Ending Cash Balance		\$ 194,441	

**GREER COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
COUNTY HEALTH DEPARTMENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 100,388	\$ 100,387	\$ (1)
Less: Prior Year Outstanding Warrants	(7,769)	(7,769)	-
Beginning Cash Balances, Budgetary Basis	92,619	92,618	(1)
Receipts:			
Ad Valorem Taxes	65,013	70,391	5,378
Intergovernmental	100,085	100,084	(1)
Miscellaneous Revenues	-	593	593
Total Receipts, Budgetary Basis	165,098	171,068	5,970
Expenditures:			
Health and Welfare	257,717	195,173	62,544
Total Expenditures, Budgetary Basis	257,717	195,173	62,544
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	68,513	\$ 68,513
Operating Transfer		12,621	
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		12,096	
Ending Cash Balance		\$ 93,230	

GREER COUNTY, OKLAHOMA
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS—
REMAINING AGGREGATE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Beginning Cash Balances July 1, 2012	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2013
Remaining Aggregate Funds:						
Resale Property	\$ 66,113	\$ 43,643	\$ -	\$ -	\$ 27,578	\$ 82,178
Treasurer Mortgage Tax Certification Fee	2,520	1,330	-	-	1,157	2,693
County Clerk Lein Fee	1,370	3,639	-	-	3,412	1,597
County Clerk Preservation	4,765	6,243	-	-	8,652	2,356
Assessor Revolving Fee	6,690	1,654	-	-	973	7,371
Sheriff Service Fee	8,710	70,427	2,112	-	71,416	9,833
Sheriff Commissary Fund	3,032	10,608	-	-	11,257	2,383
Sheriff Training	61	-	-	-	-	61
Sheriff Drug Enforcement	851	-	-	-	147	704
Sheriff Medical Reimbursement	27	-	-	-	-	27
Sheriff Insurance	-	17,276	-	-	17,276	-
Courthouse Security	4,979	4,992	-	-	7,936	2,035
Development of Industry	138,437	-	-	-	659	137,778
Governmental Obligation Bond - Sinking Fund	29	-	-	-	-	29
Combined Total - Remaining Aggregate Funds	\$ 237,584	\$ 159,812	\$ 2,112	\$ -	\$ 150,463	\$ 249,045

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

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 as follows:

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

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 statute.

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

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

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

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

Sheriff Commissary Fund – accounts for the collection of the sales of items to inmates and disbursements to purchase commissary goods from the vendor and can be used for maintenance and operations of the county jail.

Sheriff Training – accounts for the collection of miscellaneous receipts and disbursements for the training of sheriff deputies.

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

Sheriff Drug Enforcement – accounts for the collection of drug forfeitures and disbursements for the purpose of drug enforcement along with equipment and training.

Sheriff Medical Reimbursement – accounts for the collection of medical fees reimbursed from prisoners and disbursements are made for general operations of the Sheriff's office.

Sheriff Insurance – accounts for an insurance reimbursement and disbursed for a vehicle purchase.

Courthouse Security – accounts for the collection of fees through the court system and disbursed for courthouse security.

Development of Industry – accounts for funds remaining from the general obligation bonds issued in 1993 and 1996. The disbursement is for the inquiry and possible development of industry in the County.

Government Obligation Bond - Sinking Fund – accounts for monies collected from ad valorem taxes for payments of bonds or judgments against the County.

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
GREER 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 Greer County, Oklahoma, as of and for the year ended June 30, 2013, which comprises Greer County's financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated August 4, 2014.

Our report included an adverse opinion on the financial statement because the statement is prepared using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County for the year ended June 30, 2013, on the basis of accounting prescribed by Oklahoma state law, described in Note 1.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered Greer 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 Greer County's internal control. Accordingly, we do not express an opinion on the effectiveness of Greer 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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses: 2013-1, 2013-2, and 2013 -3.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Greer County's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2013-3.

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

Greer County's Responses to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is also a public document pursuant to the Oklahoma Open Records Act (51 O.S. § 24A.1 et seq.), and shall be open to any person for inspection and copying.



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

August 4, 2014

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

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

Finding 2013-1 - Inadequate County-Wide Controls (Repeat Finding)

Condition: County-wide controls regarding Risk Management and Monitoring have not been designed. Also, a County-wide Disaster Recovery Plan has not been designed and implemented by County management.

Cause of Condition: Procedures have not been designed to address risks of the County.

Effect of Condition: These conditions could result in unrecorded transactions, undetected errors, or misappropriation of funds. These conditions could also result in the loss of data, the unreliability of data, and increase the risk that the County may not recover in an emergency situation and/or disaster.

Recommendation: The Oklahoma State Auditor & Inspector's Office (OSAI) recommends that the County design 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.

Further, a County-wide Disaster Recovery Plan should be designed and implemented with the inclusion of all information systems used by individual offices in order to maintain operations in the event of an emergency situation and/or disaster.

Management Response:

Board of County Commissioners: The Board of County Commissioners will work towards assessing and identifying risks to design written policies and procedures regarding county-wide controls. The Board will work towards the design and implementation of a County-wide Disaster Recovery Plan with the inclusion of all information systems used by individual offices.

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.

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

Finding 2013-2 - Inadequate Internal Controls Over the Collections Process (Repeat Finding)

Condition: The office of the County Treasurer consists of the Treasurer and one Deputy. Upon inquiry and observation of the collection process, the duties of receipting, depositing, and reconciling were not adequately segregated within the County Treasurer's office which is the office primarily responsible for safeguarding collections. Management review and approval of work performed, was not readily evidenced by initials and dates.

Cause of Condition: Procedures have not been designed and implemented with regard to segregating the duties over all aspects of the collections process.

Effect of Condition: A single person having responsibility for more than one area of recording, authorization, custody of assets, and execution of transactions could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner.

Recommendation: OSAI recommends management be aware of these conditions and realize that a concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective procedures lie in management's overseeing of office operations and a periodic review of operations. OSAI recommends management provide segregation of duties so that one employee is unable to perform all accounting functions. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating procedures to mitigate the risks involved with a concentration of duties. Compensating procedures would include separating key processes and/or critical functions of the office, and having management review and approve accounting functions.

Management Response:

County Treasurer: The County Treasurer is aware of the condition.

Criteria: Accountability and stewardship are overall goals of management in accounting of funds. To help ensure a proper accounting of funds, the duties of receiving, receipting, recording, depositing cash and checks, reconciliations, and transaction authorization should be segregated.

Finding 2013-3 - Inadequate Internal Controls and Noncompliance Over the Disbursement Process (Repeat Finding)

Condition: Upon inquiry and observation of the County's payroll process, we noted the duties of processing payroll are not adequately segregated, as follows:

- The County Clerk enrolls new hires, makes payroll changes, maintains personnel files, and prepares OPERS reports and state and federal tax reports.

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

Due to late billing of the Oklahoma Department of Corrections for prisoners held in the County jail, the Sheriff's office experienced a shortage of funds to meet payroll obligations. The County Clerk made direct payments from the County Highway Fund to cover these expenses of the Sheriff's office rather than to loan the funds with an interfund transfer of the funds from the County Highway Fund to the Sheriff's cash funds as allowed by law.

The direct payment of Sheriff expenses from the County Highway Fund resulted in a violation of the state law that requires highway funds to be restricted for the purpose of repairs and maintenance of roads and highways of the County.

The following deficiencies were noted with regard to the payment of Sheriff's department payroll from the County Highway Fund.

- The County Clerk paid the Sheriff's employees from the County Highway Fund, with the agreement that the Sheriff's department would repay the County Highway Fund when the funds became available in the Sheriff Board of Prisoner fund for the months of March, 2013 through June, 2013.
- Payroll for the Sheriff's department was paid from the County Highway Fund - maintenance and operations account.
- The amount disbursed from the County Highway Fund - maintenance and operations account for the Sheriff's payroll totaled \$67,991.89. The Sheriff's department reimbursed \$53,779.68 from the Sheriff Board of Prisoner fund leaving a balance of \$14,212.21 at June 30, 2013.
- Subsequent to the end of the fiscal year, payroll for July and August, 2013, was paid from the County Highway Fund - maintenance and operations account for the Sheriff's department.
- At the end of fieldwork, reimbursements had been made to the County Highway Fund to repay the expense of the Sheriff's department.

The audit of forty-seven purchase orders reflected the following weaknesses and noncompliance with state statutes:

- Eleven instances were noted in which goods and/or services were received prior to the encumbrance of funds.
- Three instances were noted in which supporting documentation of the disbursement was not attached to the purchase order (i.e., invoice, receiving report).

Further, as part of an ongoing weakness within the County Sheriff's department regarding noncompliance with encumbering funds prior to receiving the goods or services, we audited all purchase orders for the County Sheriff's office and noted the following:

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

- The audit reflected 102 instances in which funds for disbursements totaling \$24,017.54 were not encumbered prior to receiving of goods and/or services in accordance with the state statute.

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

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

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

- Posting new hires and/or making payroll changes to the payroll system.
- Access to personnel files.
- Preparing state reports and state and federal tax reports.

OSAI recommends that funds loaned from a fund must be repaid to the fund prior to the end of the fiscal year in accordance with 68 O.S. § 3021. The transaction should be in the form of a transfer rather than disbursed directly from a cash fund. As in this case of the County Highway Fund, such Sheriff Department disbursements are not allowed by law.

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:

Chairman of the BOCC: 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 adequate documentation is to be attached to purchase orders to support disbursements in accordance with Oklahoma Statutes.

County Clerk: The County Clerk is aware of these conditions and in the review of purchase orders an emphasis will be placed on ensuring adequate documentation is attached to support the disbursements of county funds.

County Sheriff: An emphasis will be placed on ensuring the funds are properly encumbered prior to the receiving of goods and/or services, adequate documentation is attached to support the disbursements, and an avoidance of borrowing money from the other county funds on a continuous basis.

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

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

Title 69 O.S. § 1503(a) states, “All monies raised for use on the county highways in each county, or apportioned to each county for road purposes, from any source, including all funds and monies derived by law, levy, taxation, or apportionment shall, unless otherwise provided by law, be placed in the county treasury in a fund to be known as the county highway fund, to be expended on order of the board of county commissioners on county highways as defined herein, or on state highways within their respective counties including the lighting thereof, if, in the judgment of the board of county commissioners, such expenditure would be just and equitable and for the best interest of the county.”

An aspect of internal control is the safeguarding of assets. Internal controls over safeguarding of assets constitute a process, affected by the entity’s governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or untimely detection of unauthorized acquisition, use, or disposition of the entity’s assets and safeguarding assets from loss, damage, or misappropriation.

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

Finding 2013-4 - Inadequate Internal Controls and Noncompliance Over the Court Clerk Collection and Disbursement Processes (Repeat Finding)

Condition: Upon inquiry of the Court Clerk’s staff, and the observation of records with regard to the collection and the disbursement processes of the Court Fund and the Court Clerk Revolving Fund, we noted the following weaknesses within the office of the Court Clerk:

- The Court Clerk has three full-time deputies that collect funds, issue receipts, prepare deposits, post to accounting records, and perform monthly reconciliations.
- There is no evidence of a review and approval process of the prepared deposit.
- The deputies have not received adequate training to perform the duties of disbursing and transferring funds and preparing reports for the Court Fund, District Court Fund, and Court Clerk Revolving Fund, in the frequent absence of the Court Clerk.

The audit of 307 Court Fund claims (100%) reflected the following deficiencies within the disbursement process:

- Twenty-three Court Fund claims could not be located.
- Sixty-two Court Fund claims were approved for payment by one member of the Court Fund Governing Board.
- One Court Fund claim was not approved for payment by the Court Fund Governing Board.
- Ninety-four Court Fund claims did not have adequate supporting documentation for the disbursement.

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

- Sixty-two Court Fund claims were not paid in a timely manner and resulted in late fees charged and paid by the Court Clerk totaling \$72.58.
- Nine Court Fund vouchers were issued and registered with the Treasurer between 41 to 84 days before the voucher was paid by the financial institution. It appears these vouchers were processed, but not mailed in a timely manner; thus being outstanding in excess of one year.

The audit of thirty Court Clerk Revolving Fund Claims (100%) reflected the following weaknesses:

- Eleven claims were approved for payment by one member of the Governing Board.
- Fourteen claims were not paid in a timely manner by the Court Clerk (i.e., due date of invoice March 5, 2012, voucher issued #818 on July 12, 2012).
- Three claims were issued for the payment of several invoices, with the majority of the invoices being past due resulting in late fees charged and paid by the Court Clerk totaling \$108.00.

The audit of fees disbursed from District Court Fund to the Court Fund for the twelve month period, reflected the following delay in transferring fees to the Court Fund:

- Court Fund fees for April, 2013 were not paid from the District Court Fund until June 2013.

On September 10, 2013, we observed the following:

- Forty-six vouchers, totally \$22,629.27, dated June 3, 2013 to June 13, 2013 were lying on the desk of the Court Clerk yet to be mailed to the entity and/or individual for fees and/or restitution (i.e., CLEET, OSBI, and DHS).
- Additionally, we observed that forty-three vouchers for the months of July and August 2013 were lying on the desk of the Court Clerk yet to be mailed to the entity or individual for fees (i.e., CLEET, OSBI, and DHS).

Cause of Condition: Policies and procedures have not been designed and implemented to formally segregate the duties within the Court Clerk's office and provide adequate training to employees to perform all duties of the office in the frequent absence of the Court Clerk. Procedures have not been designed to ensure compliance with statutes over the disbursement of funds from the Court Fund, Court Clerk Revolving Fund, and timely transfers from the District Court Fund.

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

Recommendation: OSAI recommends management be aware of these conditions and implement compensating procedures to mitigate the risks involved with a concentration of duties. Compensating procedures would include separating key processes and/or critical functions of the office, and having management review and approve the accounting functions. The most effective controls lie in management's overseeing of office operations and a periodic review of operations. OSAI also

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

recommends management provide guidance with regard to segregating the duties so that no one employee is able to perform all accounting functions.

OSAI further recommends the management of the County provide adequate training to all employees to ensure office operations continue during frequent absences of the Court Clerk.

Additionally, OSAI recommends the Court Clerk comply with Title 19 O.S. § 220 and 20 O.S § 1304, that outline procedures for expending Court Clerk Revolving Fund monies and Court Fund monies, including proper authorization and approval of claims.

Further, OSAI recommends the Court Clerk design and implement procedures to ensure disbursements are supported by adequate documentation and paid in a timely manner. It is also recommended that any voucher outstanding for one year be cancelled in accordance with 62 O.S § 488.

Management Response:

Court Clerk: The Court Clerk is aware of the situation involving inadequate segregation of duties, and will work to implement a review process. Further, the Court Clerk will work toward implementing procedures to ensure claims are approved by the Governing Board, disbursements have adequate supporting documentation, and place an emphasis on paying claims to ensure disbursements and fees are paid in a timely manner.

Criteria: Accountability and stewardship are overall goals in evaluating management's accounting of funds. An important aspect of internal controls is the safeguarding of assets. 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. Internal controls should be designed to analyze and check accuracy, completeness, and authorization of disbursements, signatures, safeguarding of assets and reconciliation.

Title 19 O.S. § 220 (A) states, "Claims against the fund shall include only expenses incurred for the operation of the court clerk's office in each county, and payment may be made after the claim is approved by the court clerk and either the district or the associate district judge of that county."

Title 20 O.S. § 1304 states in part, "claims against the court fund should include only expenses incurred for the operation of the court, approved by the district judge, and either the local court clerks or the local associate district judge."

Finding 2013-5 - Inadequate Internal Controls and Noncompliance Over the Inmate Trust Account and Sheriff Commissary Fund (Repeat Finding)

Condition: Upon inquiry of Sheriff's staff and observation of the recordkeeping process over the Inmate Trust Account, we noted the following weaknesses:

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

- The duties of balancing the lockbox, depositing funds collected, and reconciling the bank statement to accounting records, were primarily performed by one employee of the County Sheriff.
- The duties of issuing checks and check authorization were performed by the same employee.
- Inmate funds were posted to inmate accounts at the time of receipt, but were not deposited at the financial institution on a daily basis. For the fiscal year, twelve deposits were made by the County Sheriff's employee.
- The audit of all checks issued from the Inmate Trust Account, included two checks totaling \$308.00 issued to payees that were not authorized by statute.
- The County Sheriff did not transfer profit from the Inmate Trust Account to the Sheriff Commissary Fund in a timely, consistent manner. Profit from the sale of commissary goods was transferred to the Sheriff Commissary Fund eight times during the fiscal year; August 2012, September 2012, November 2012, January 2013, February 2013, and three times in May 2013.

Cause of Condition: Procedures have not been designed and implemented to ensure that controls are in place with regard to Inmate Trust Account financial operations and compliance with state statutes. In order to expedite the payment of bills and court costs, the Sheriff paid amounts from the Inmate Trust Account instead of transferring the proceeds from the inmate sales to the Sheriff Commissary Fund.

Effect of Condition: A single person having responsibility for more than one area of recording, authorization, custody of assets, and execution of transactions could result in unrecorded transactions, misstated financial reports, clerical errors, noncompliance with laws, or misappropriation of funds not being detected in a timely manner.

Recommendation: OSAI recommends management be aware of these conditions and determine how to properly segregate duties. OSAI recommends implementing compensating procedures to mitigate the risks involved with a concentration of duties. Compensating procedures would include separating key processes and/or critical functions of the office, and having management review and approve the accounting functions. The duties of issuing receipts, depositing, and reconciling should be performed by separate individuals.

Additionally, OSAI recommends that the County Sheriff comply with 19 O.S. § 531(A), which states, "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."

Management Response:

County Sheriff: The County Sheriff is aware of the lack of segregation of duties over the collection and disbursement process of the Inmate Trust Account and prefers to operate in this manner. The County Sheriff is aware of the noncompliance conditions and will implement procedures to make daily deposits at the financial institution, issue checks as authorized by statute, and transfer Inmate Trust Account profit to the Sheriff Commissary Fund on a monthly basis.

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

Criteria: Effective accounting procedures and internal controls are necessary to ensure stewardship and accountability of public funds. Safeguarding controls are an aspect of internal controls. Safeguarding controls relate to the prevention or timely detection of unauthorized transaction and unauthorized access to assets. Failure to perform tasks that are part of internal controls, such as reconciliations not performed or not timely prepared, are deficiencies in internal control. Further, reconciliations should be performed on a monthly basis.

Effective internal controls should provide for procedures wherein receipts for the monies collected are maintained and available for inspection and deposits are made in a timely manner.

Title 19 O.S. § 180.43 E. and D. states in part, “Any funds received pursuant to said operations shall be the funds of the county where the persons are incarcerated and shall be deposited in the Sheriff’s Commissary Account. The sheriff shall be permitted to expend the funds to improve or provide jail services. The sheriff shall be permitted to expend any surplus in the Sheriff’s Commissary Account for administering expenses for training equipment, travel or for capital expenditures. The claims for expenses shall be filed with and allowed by the board of county commissioners in the same manner as other claims. The Sheriff shall receive no compensation for the operation of said commissary. The sheriff shall file an annual report on any said commissary under his or her operation no later than January 15th of each year.”

Title 19 O.S. § 531 (A) states in part, “The county sheriff may establish a checking account, to be designated the “Inmate Trust Checking Account”. The county sheriff shall deposit all monies collected from inmates incarcerated in the county jail into this checking account and may write checks to the Sheriff’s Commissary Account for purchases made by the inmate during his or her incarceration and to the inmate from unencumbered balances due the inmate upon his or her discharge.” In addition, Title 19 O.S. § 531 C. states, “Banking fees on the account may be paid out of the Sheriff Commissary Account or the county Sheriff’s Service Cash Fund.”

Finding 2013-6 - Inadequate Internal Controls and Noncompliance Over Inventories (Repeat Finding)

Condition: Upon inquiry of County Officials and observation of fixed assets inventory documentation items and consumable inventory items, we noted the following weaknesses:

District 1, District 2, and District 3 County Commissioners:

- There was no evidence that fixed assets inventory verifications were conducted on an annual basis.
- Documentation was not maintained of the monthly consumable inventory items count for each District.

**GREER COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
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County Sheriff:

- Five of the five items selected were not marked with county identification numbers.

Court Clerk:

- Five of the five items selected were not marked with the same identification number as reported on the inventory list filed with the County Clerk.

Cause of Condition: Policies and procedures have not been designed to ensure compliance with the state statute regarding maintaining and properly identifying fixed assets. Additionally, procedures have not been designed and implemented to provide for accurate inventory records and the safeguarding of consumable items.

Effect of Condition: When fixed assets are not monitored and equipment is not properly marked with identification numbers, opportunities for misuse or loss of equipment can occur. Additionally, when consumable inventories are not monitored on a monthly basis, opportunities for misuse or theft of items are more likely to 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 additionally recommends that periodic fixed assets inventory verifications be conducted and documented with the initials and date of the employee conducting the verification.

OSAI also recommends that monthly consumable inventory verifications be conducted and documentation be maintained as evidenced by the date and initials of the employee conducting the verification.

Management Response:

District 1, District 2, and District 3 County Commissioners: The Districts will work towards the documentation of the annual physical count of fixed assets and monthly count of consumable items.

County Sheriff: The County Sheriff will implement procedures to ensure that all fixed assets in excess \$500 are properly marked with county identification numbers.

Court Clerk: The Court Clerk will implement procedures to ensure identification numbers located on the equipment are the same identifications number on the listing filed with the County Clerk.

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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