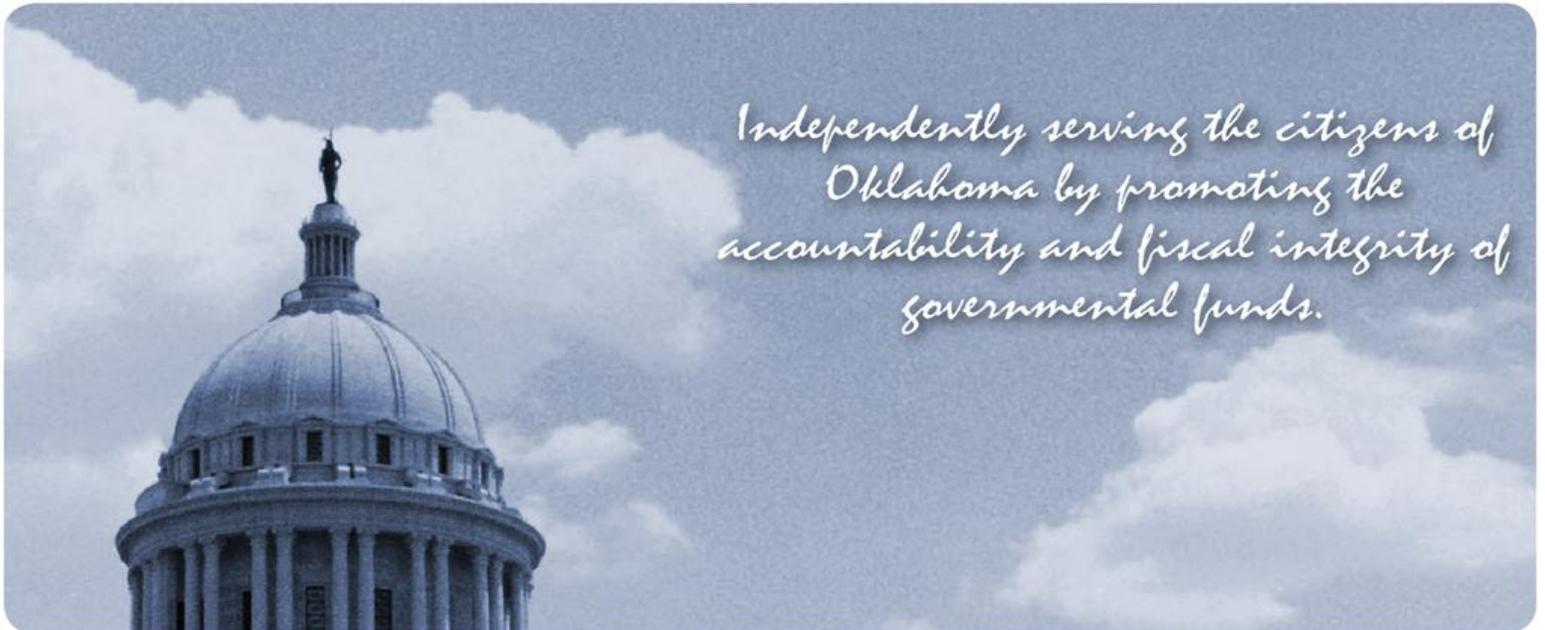


OPERATIONAL AUDIT

GREER COUNTY

For the fiscal year ended June 30, 2015



*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 OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

January 26, 2016

**TO THE CITIZENS OF
GREER COUNTY, OKLAHOMA**

Transmitted herewith is the audit report of Greer County for the fiscal year ended June 30, 2015.

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

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

Sincerely,

A handwritten signature in blue ink, appearing to read "Gary A. Jones".

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

**GREER COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

TABLE OF CONTENTS

OPERATIONAL AUDIT REPORT

Introductory Section (Unaudited)

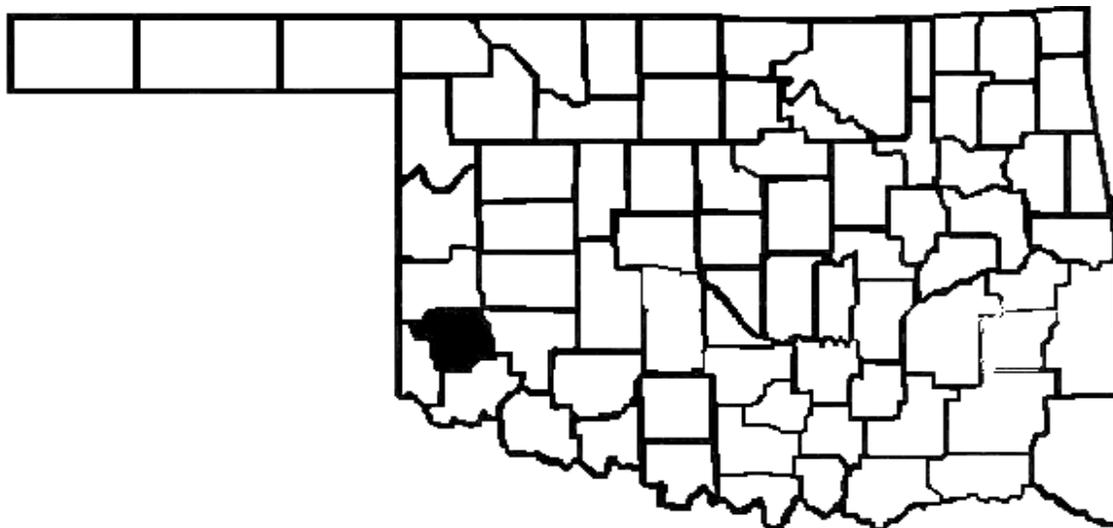
Statistical Information.....	ii
County Officials.....	iii
Ad Valorem Tax Distribution	iv
Sales Tax Distribution.....	v
Assessed Value of Property Trend Analysis	vi
County Payroll Expenditures Analysis	vii
County General Fund Analysis	viii
County Highway Fund Analysis	ix
Presentation of Apportionments, Disbursements, and Cash Balances of County Funds for Fiscal Year Ending June 30, 2015	1
Description of County Funds	2
Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—General Fund	5
Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—County Health Department Fund.....	6
Purpose, Scope, and Sample Methodology.....	7
Objectives and Results of Operational Audit.....	8

REPORT ON STATUTORY COMPLIANCE - OTHER MATTERS

Statutory Report.....	20
Schedule of Findings and Responses	21

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

**GREER COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**



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 in Devil's Canyon. In attendance were Lt. Jefferson Davis and artist George Catlin.

Willis Granite Products 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 in Mangum.

For more county information, call the County Clerk's office at 580/782-3664.

County Seat – Mangum

Area – 643.66 Square Miles

County Population – 6,151
(2014 est.)

Farms – 498

Land in Farms – 401,551 Acres

Primary Source: Oklahoma Almanac 2015-2016

Board of County Commissioners

District 1 – Brent York
District 2 – Terry Nickell
District 3 – Steven Fite

County Assessor

Junita Reeves

County Clerk

Jackie Cloyd

County Sheriff

Devin Huckabay

County Treasurer

Donna Bull

Court Clerk

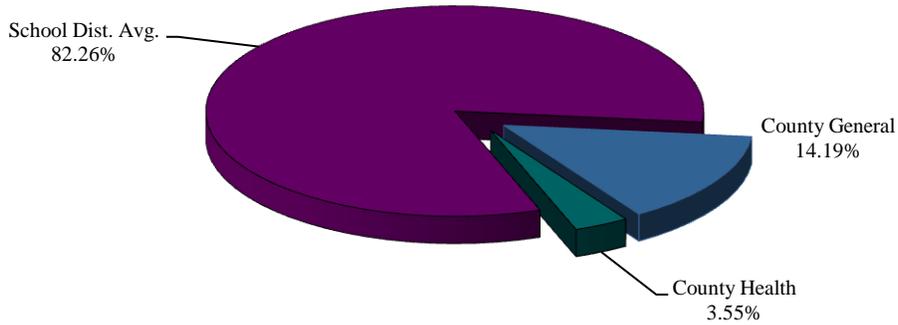
Rhonda Henry

District Attorney

John Wampler

**GREER COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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.	Common	Career Tech	EMS	Total
County General	10.63									
County Health	2.66	Mangum	I-1	37.34	5.33	10.48	4.25	-	3.20	60.60
		Granite	I-3	37.17	5.31	10.37	4.25	10.58	-	67.68
		School District	66-H	36.00	5.14	-	4.25	-	-	45.39
		School District	1-J	35.16	5.02	4.12	4.25	10.58	-	59.13
		School District	14-J	35.80	5.11	14.24	4.25	10.58	-	69.98
		School District	54-J	37.03	5.29	5.73	4.25	10.58	-	62.88
		School District	2-K	35.67	5.10	-	4.25	12.74	-	57.76
		School District	31-BSC	36.79	5.26	6.43	4.25	12.74	-	65.47
		School District	31-B	35.29	5.04	6.43	4.25	12.74	-	63.75
		Merritt S.D	10-BMC	37.88	5.41	8.88	4.25	-	-	56.42
		School District	51-B	40.91	5.84	7.00	4.25	-	-	58.00

**GREER COUNTY, OKLAHOMA
SALES TAX DISTRIBUTION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Sales Tax

Sales Tax of January 1, 1985

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.

Sales Tax on Lodging October 1, 2002

Effective October 1, 2002, the voters of Greer County approved a five (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 Sales Tax fund.

Sales Tax of February 5, 2008

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

Sales Tax of October 1, 2014

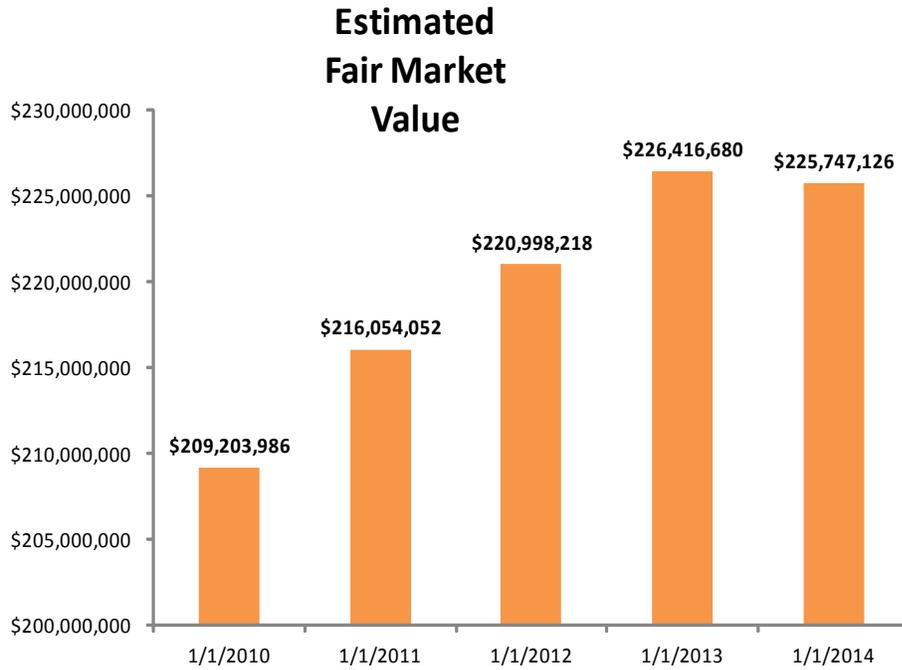
Effective October 1, 2014, the voters of Greer County approved a 1/2% of 1% (.005%) sales tax for the time period starting October 1, 2014 and ending September 30, 2022. The said sales tax provides funds for continued operations of essential divisions of the county government to be apportioned 50% to the County General Fund, 45% to the County Sheriff, and 5% to the County Emergency Fund. These funds are accounted for in the County General Fund, the Sheriff Board of Prisoners, and the County Emergency Fund.

During the fiscal year the County collected \$568,372 in total sales tax.

FUND	SALES TAX APPORTIONED
County General Fund	\$302,065
Renovation Sales Tax	\$142,815
OSU Extension Sales Tax	\$ 39,244
Free Fair Sales Tax	\$ 14,281
Sheriff Board of Prisoners	\$ 41,720
County Emergency Fund	\$ 4,636
Economic Development Authority Hotel/Motel Sales Tax	\$ 23,611

**GREER COUNTY, OKLAHOMA
 ASSESSED VALUE OF PROPERTY
 TREND ANALYSIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

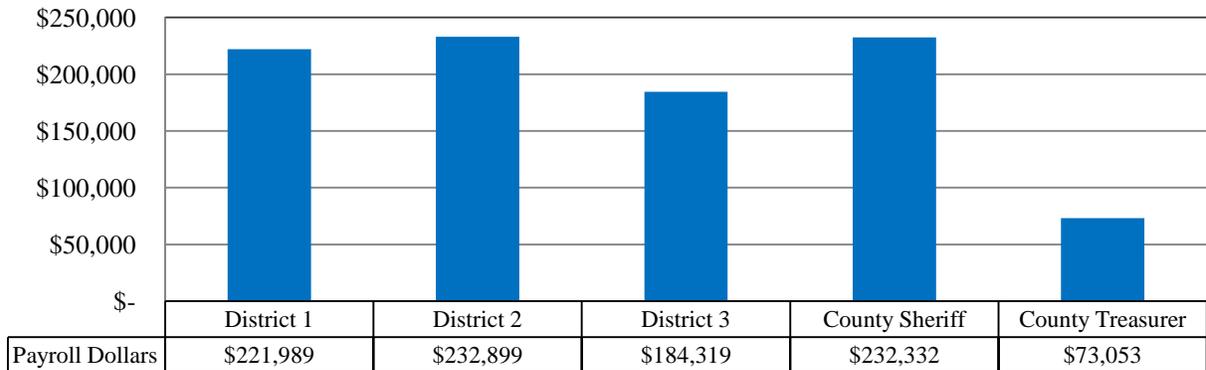
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2014	\$4,008,325	\$1,974,859	\$22,829,737	\$1,511,304	\$27,301,617	\$225,747,126
1/1/2013	\$4,039,435	\$2,274,468	\$22,725,404	\$1,510,815	\$27,528,492	\$226,416,680
1/1/2012	\$3,877,052	\$2,373,183	\$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



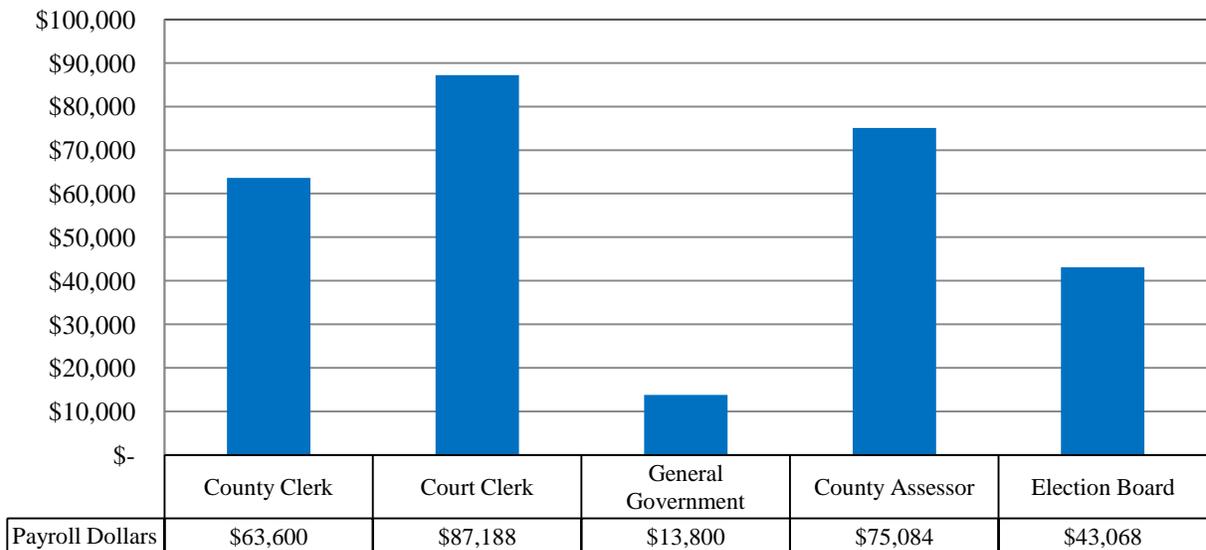
**GREER COUNTY, OKLAHOMA
COUNTY PAYROLL EXPENDITURES ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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, 2015.

Payroll Expenditures by Department



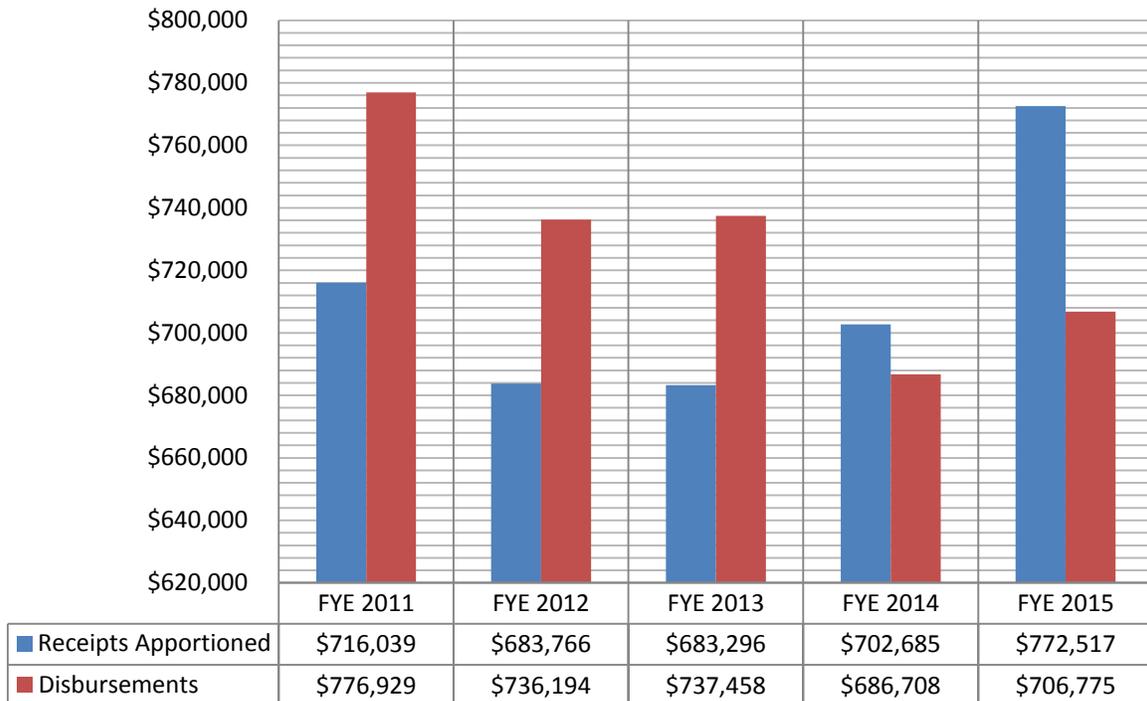
Payroll Expenditures by Department



**GREER COUNTY, OKLAHOMA
COUNTY GENERAL FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

County General Fund

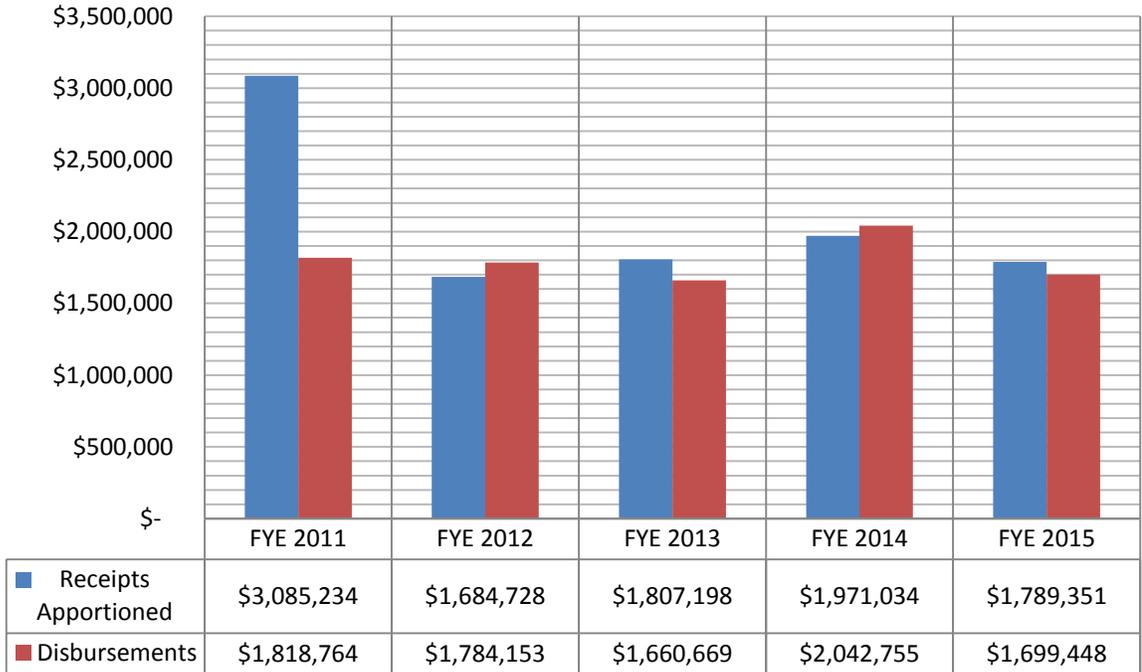
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also 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, 2015**

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.



**GREER COUNTY
OPERATIONAL AUDIT**

Presentation of Apportionments, Disbursements, and Cash Balances of County Funds for Fiscal Year Ended June 30, 2015

	Beginning Cash Balances July 1, 2014	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2015
Combing Information:						
County Funds:						
County General Fund	\$ 210,598	\$ 772,517	\$ -	\$ -	\$ 706,775	\$ 276,340
County Highway Fund	1,561,605	1,789,351	2,308	11,000	1,699,448	1,642,816
County Health Department	60,854	165,077	-	-	144,533	81,398
Sheriff Board of Prisoner	36,769	194,371	48,799	2,308	240,081	37,550
Renovation Sales Tax	369,999	142,815	-	-	6,240	506,574
Economic Development Authority Hotel/Motel Sales Tax	1,841	23,611	-	-	23,457	1,995
Industrial Development Authority Sales Tax	309,032	27,185	-	36,250	-	299,967
Free Fair Sales Tax	9,952	14,431	-	-	15,335	9,048
OSU Extension Sales Tax	95,600	39,244	-	-	34,979	99,865
Homeland Security Grant	21,857	-	-	-	186	21,671
County Bridge and Road Improvement 103	153,210	1,326	-	-	3,171	151,365
County Bridge and Road Improvement 105	1,471,820	248,099	-	-	102,769	1,617,150
Resale Property	58,470	67,567	-	-	31,905	94,132
Treasurer Mortgage Tax Certification Fee	2,803	1,125	-	-	1,434	2,494
County Clerk Lien Fee	836	3,661	-	448	3,658	391
County Clerk Records Management Preservation	2,113	6,015	448	-	7,376	1,200
Assessor Revolving Fee	6,550	1,419	-	-	95	7,874
Sheriff Service Fee	6,745	68,015	-	-	68,021	6,739
Sheriff Commissary Fund	935	11,773	-	-	9,771	2,937
Sheriff Training	61	-	-	-	-	61
Sheriff Drug Enforcement	523	-	-	-	-	523
Sheriff Medical Reimbursement	27	71,255	-	-	-	71,282
Courthouse Security	773	5,808	-	-	5,491	1,090
Development of Industry	137,778	-	-	-	-	137,778
General Obligation Bond - Sinking Fund	29	-	-	-	-	29
Safety Awards	-	1,000	-	-	1,000	-
County Emergency Fund	-	4,636	36,250	37,799	-	3,087
Combined Total - All County Funds	\$ 4,520,780	\$ 3,660,301	\$ 87,805	\$ 87,805	\$ 3,105,725	\$ 5,075,356

Source: County Treasurer's Monthly Reports (presented for informational purposes)

**GREER COUNTY
DESCRIPTION OF COUNTY FUNDS
OPERATIONAL AUDIT
FOR THE FISCAL YEAR JUNE 30, 2015**

Description of County Funds

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 within the Presentation of Apportionments, Disbursements, and Cash Balances of County Funds:

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

County Highway Fund – accounts for state, local, and miscellaneous receipts and disbursements are 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 jail.

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.

Economic Development Authority Hotel/Motel Sales Tax – accounts for sales tax 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 monies and the disbursement for the operations of the free fair organization.

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

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

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

**GREER COUNTY
DESCRIPTION OF COUNTY FUNDS
OPERATIONAL AUDIT
FOR THE FISCAL YEAR JUNE 30, 2015**

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

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

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

County Clerk Records Management Preservation – accounts for fees collected for instruments filed in the County Clerk’s office as restricted by state statute for preservation of records.

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

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

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.

Courthouse Security – accounts for the collection of fees through the court system and disbursements are 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.

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

**GREER COUNTY
DESCRIPTION OF COUNTY FUNDS
OPERATIONAL AUDIT
FOR THE FISCAL YEAR JUNE 30, 2015**

Safety Awards – accounts for monies collected from ACCO to be disbursed for safety awards for county employees.

County Emergency Fund – accounts for monies derived from the Sales Tax Resolution of 1997, also known as Industrial Authority Sales Tax, as well as any future collections of sales tax originally collected for the Industrial Authority and to be disbursed for situations declared an emergency by the County.

GREER COUNTY, OKLAHOMA
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
COUNTY GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 210,598	\$ 210,598	\$ -
Less: Prior Year Outstanding Warrants	(33,924)	(33,924)	-
Less: Prior Year Encumbrances	(632)	(332)	300
Beginning Cash Balances, Budgetary Basis	<u>176,042</u>	<u>176,342</u>	<u>300</u>
Receipts:			
Ad Valorem Taxes	263,833	289,145	25,312
Charges for Services	17,500	21,335	3,835
Sales Tax	220,000	302,065	82,065
Intergovernmental Revenues	122,304	144,084	21,780
Miscellaneous Revenues	5,000	15,888	10,888
Total Receipts, Budgetary Basis	<u>628,637</u>	<u>772,517</u>	<u>143,880</u>
Expenditures:			
County Sheriff	74,291	74,264	27
County Treasurer	63,600	63,600	-
County Clerk	63,705	63,704	1
Court Clerk	63,765	61,356	2,409
County Assessor	63,600	63,600	-
Revaluation of Real Property	92,273	38,602	53,671
General Government	117,205	102,880	14,325
Excise Equalization Board	3,061	3,061	-
County Election Board	48,075	48,045	30
Insurance - Benefits	211,581	190,742	20,839
County Audit Budget Account	3,523	-	3,523
Total Expenditures, Budgetary Basis	<u>804,679</u>	<u>709,854</u>	<u>94,825</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>239,005</u>	<u>\$ 239,005</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		103	
Add: Current Year Outstanding Warrants		35,668	
Add: Current Year Encumbrances		1,564	
Ending Cash Balance		<u>\$ 276,340</u>	

Source: County Estimate of Needs (presented for informational purposes)

**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, 2015**

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 60,855	\$ 60,854	\$ 167
Less: Prior Year Outstanding Warrants	(6,969)	(6,969)	-
Beginning Cash Balances, Budgetary Basis	53,886	53,885	(1)
Receipts:			
Ad Valorem Taxes	66,020	72,355	6,335
Intergovernmental Revenues	92,255	92,606	351
Miscellaneous Revenues	-	116	116
Total Receipts, Budgetary Basis	158,275	165,077	6,802
Expenditures:			
County Health Budget Account	212,161	143,656	68,505
Total Expenditures, Budgetary Basis	212,161	143,656	68,505
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	75,306	\$ 75,306
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		6,063	
Add: Current Year Outstanding Warrants		29	
Ending Cash Balance		\$ 81,398	

PURPOSE, SCOPE, AND SAMPLE METHODOLOGY

This audit was conducted in response to 19 O.S. § 171, which requires the State Auditor and Inspector's Office to audit the books and accounts of county officers.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In planning and conducting our audit, we focused on the major financial related areas of operations based on assessment of materiality and risk for the fiscal year ended June 30, 2015. Our audit procedures included:

- Inquiries of appropriate personnel,
- Inspections of documents and records,
- Observations of the County's operations,
- Reconciling total apportionments, disbursements, and balances presented on the County's Presentation of Apportionments, Disbursements, and Cash Balances of County Funds for the fiscal year to the County Treasurer's and County Clerk's financial ledgers,
- Confirming third party confirmations to the financial ledgers, and
- Selecting representative samples to determine disbursements were made in accordance with state statutes, approved ballots, and county purchasing procedures.
- Gaining an understanding of the County's internal controls as it relates to each audit objective.

To ensure the samples were representative of the population and provided sufficient, appropriate evidence, both random sample and judgmental sample methodologies were used. We identified specific attributes for testing each of the samples and when appropriate, we projected our results to the population.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, errors or fraud may occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

This report is 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.

Objective 1: To determine the receipts apportioned, disbursements, and cash balances are accurately presented on the County Treasurer's monthly reports for FY 2015.

Conclusion: With respect to the items reconciled and reviewed; the receipts apportioned, disbursements, and cash balances are accurately presented on the County Treasurer's monthly reports. However, we noted some deficiencies in internal controls regarding the financial reporting process.

FINDINGS AND RECOMMENDATIONS

Finding 2015-1 – Inadequate Internal Controls over the Collection Process (Repeat Finding)

Condition: The office of the County Treasurer consists of the Treasurer and one Deputy. To enhance internal controls, the County Treasurer implemented some review processes of work performed; however, management review and approval of work performed was not readily evidenced by initials and dates.

Upon inquiry and observation of the collection process the following weaknesses were noted:

- 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.
- Bank reconciliations were not performed for one account held by the County.
- There is no independent oversight pertaining to bank reconciliations.

Cause of Condition: Policies and procedures have not been designed and implemented with regards to adequately 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 oversight 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. Further, OSAI recommends the performance of bank reconciliations for all bank accounts as well as having the bank reconciliations reviewed or approved by someone other than the preparer.

**GREER COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Management Response:

County Treasurer: The County Treasurer is aware of the condition with regards to the lack of segregation of duties and will work to address these issues.

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. Further, all bank accounts should be reconciled in a timely manner and reconciliation should be properly reviewed.

Objective 2: To determine the County's financial operations complied with 68 O.S. § 1370E, which requires the sales tax collections to be deposited in the general revenue or Sales Tax Revolving Fund of the County and be used only for the purpose for which such sales tax was designated.

Conclusion: With respect to the items tested, the County did not comply with 68 O.S. § 1370E, which requires the sales tax collections to be deposited in the general revenue or Sales Tax Revolving Fund of the County and be used only for the purpose for which such sales tax was designated.

FINDINGS AND RECOMMENDATIONS

Finding 2015-2 – Inadequate Internal Controls and Noncompliance Over the Disbursements of County Sales Tax (Repeat Finding)

Condition: Upon inquiry and observation of the recordkeeping process of collecting and expending county sales tax, the following was noted:

- County sales tax funds were deposited into the County General Fund as specified by Title 68 O.S. § 1370E and identified as such as a revenue source. However, the funds were not presented in a separate account within the County General Fund and therefore, specific expenditures made with sales tax funds could not be identified.
- County sales tax funds were deposited into the Sheriff Board of Prisoners and not presented in a separate sales tax revolving fund and therefore, sales tax expenditures made from the Sheriff Board of Prisoners cash fund could not be identified.
- Remaining sales tax collections from the Industrial Development Authority – Sales Tax fund were not transferred October 1, 2014 and placed in the Emergency Fund as approved by the voters on June 24, 2014 as Proposition No. 2.

Cause of Condition: Policies and procedures have not been designed and implemented with regard to sales tax collections and disbursements processes due to the officials being unaware of the necessity of such procedures for the County General Fund.

**GREER COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

Recommendation: OSAI recommends that the County sales tax apportioned to the County General Fund be accounted for in a separate account so as to discretely present the expenditures. In addition, the sales tax should be expended in such a manner to provide assurance that expenditures are made in accordance with purposes specified by the ballot as outlined by Title 68 O.S. § 1370E.

Further, OSAI recommends sales tax funds be transferred from the Sheriff Board of Prisoners fund and a separate sales tax revolving fund for the County Sheriff be established to ensure an accurate accounting of sales tax fund expenditures as outlined by Title 68 O.S. § 1370E.

OSAI also recommends the remaining sales tax funds be transferred from the Industrial Development Authority Sales Tax fund and placed in the County Emergency Fund as approved by the voters. Further, the Industrial Development Authority Sales Tax fund should no longer be designated as a sales tax fund after funds have been transferred to the County Emergency Fund since those sales tax collections ceased on May 31, 1999.

Management Response:

Chairman, BOCC: The Board of County Commissioners will implement changes and report sales tax in accordance with Oklahoma Statutes and the AG Opinion 2005 and 2014.

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

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

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

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

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

Finding 2015-3 – Inadequate Internal Controls and Noncompliance Over the Disbursements of County Lodging Sales Tax

Condition: Upon inquiry and observation of the recordkeeping process of collecting and expending county lodging tax, which was approved by the voters of Greer County and apportioned 50% to the County General Fund and 50% to the Economic Development Authority Hotel/Motel Sales Tax fund, the following was noted:

- Fifty percent (50%) of the lodging tax was deposited into the County General Fund as specified by Title 68 O.S. § 1370E and identified as such as a revenue source. However, the funds were not presented in a separate account within the County General Fund and therefore, specific expenditures made with lodging tax could not be identified.
- Fifty percent (50%) of the lodging tax was deposited into the Economic Development Authority Hotel/Motel Sales Tax fund as specified by Title 68 O.S. § 1370E. However, the funds were directly disbursed by remittance warrant to the Economic Development Authority Hotel/Motel Sales Tax fund and therefore, specific expenditures made with the lodging tax by the Authority were not authorized by the Board of County Commissioners (BOCC) and could not be identified.

Cause of Condition: Policies and procedures with regard to lodging tax collections and disbursements processes have not been designed and implemented due to the officials being unaware of the necessity of such procedures for the County General Fund and the Economic Development Authority Hotel/Motel Sales Tax fund.

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

Recommendation: OSAI recommends that the county lodging tax apportioned to the County General Fund be accounted for in separate account so as to discretely present the expenditures. In addition, the sales tax should be expended in such a manner to provide assurance that expenditures are made in accordance with purposes specified by the ballot as outlined by Title 68 O.S. § 1370E.

Further, OSAI recommends the BOCC maintain oversight of the disbursements of county lodging tax with regards to the Economic Development Authority Hotel/Motel Sales Tax fund, which was approved by the voters of Greer County.

Management Response:

Chairman, BOCC: The Board of County Commissioners will implement changes and report lodging tax in accordance with Oklahoma Statutes and the AG Opinion 2005 and 2014. Further, the BOCC will implement changes with regards to how lodging tax is disbursed to the Economic Development Authority.

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

**GREER COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

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

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

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

Objective 3: To determine the County's financial operations complied with 68 O.S. § 2923, which requires the ad valorem tax collections to be apportioned and distributed monthly among the different funds to which they belong.

Conclusion: With respect to the items tested, the County complied with 68 O.S. § 2923, which requires the ad valorem tax collections to be apportioned and distributed monthly among the different funds to which they belong.

Objective 4: To determine whether the County's internal controls provide reasonable assurance that expenditures (including payroll) were accurately reported in the accounting records and financial operations complied with significant laws and regulations.

Conclusion: The County's internal controls did not provide reasonable assurance that expenditures (including payroll) were accurately reported in the accounting records and financial operations did not comply with significant laws and regulations.

FINDINGS AND RECOMMENDATIONS

Finding 2015-4 – Inadequate Internal Controls and Noncompliance Over the Disbursement Process (Repeat Finding)

Condition: Upon inquiry and observation of the County’s payroll disbursement process, we noted the duties of processing payroll are not adequately segregated. The Payroll Clerk enrolls new hires, makes payroll changes, maintains personnel files, prepares OPERS reports and state and federal tax reports, and initiates the direct deposit process with the financial institution.

The audit of forty (40) purchase orders reflected the following noncompliance:

- Nine (9) purchase orders were not timely encumbered.
- Nine (9) disbursements were not paid from the appropriate account.

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 reviewed forty (40) additional purchase orders for the County Sheriff’s office and noted the following:

- Thirty-nine (39) instances in which funds for disbursements totaling \$15,271.24 were not encumbered prior to receiving of goods and/or services in accordance with the state statute.

Further, the following was brought to our attention and revealed:

- The County Sheriff purchased items from the Sheriff Service Fee fund that are not within guidelines established by state statute for the operations of the County Sheriff’s department. Two disbursements were made with purchase order numbers 441 and 496 totaled \$837.85 for the purchase of neon pencils and “Don’t Bully Bracelets” to distribute during the 2014 county fair. Further, in the review of said purchase order number 441 it was noted goods were received prior to the encumbrance of funds. The date of the invoice was August 21, 2014 and the date of encumbrance was August 26, 2014.
- The County Sheriff purchased gift cards from the Board of Prisoners fund. On March 17, 2015, the County Sheriff purchased 4, \$50 gift cards on purchase order number 2107 for the use of prisoner transport. In the review of this situation, funds were not properly encumbered (i.e. a blanket purchase order) for disbursements made on the credit card by the County Sheriff, and resulted in goods/services being purchased prior to funds being encumbered which is required by and a violation of 19 O.S. § 1505C. The credit card held by the County Sheriff was cut-off March 15, 2015 due to non-payment because the County Sheriff did not supply an invoice to support a disbursement on the credit card which is required by and a violation of 19 O.S. § 1505E, therefore, the payment could not be made by the BOCC of said balance due to the creditor. The purchase of gift cards for operations is not allowed by state statute.

**GREER COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

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

Recommendation: OSAI recommends the following key accounting functions over payroll disbursements 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.

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.
- Disbursements should be made from the proper accounts.

Management Response:

Chairman of the 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, adequate documentation being attached to purchase orders to support disbursements, and ensuring disbursements are made from the appropriate account within a fund in accordance with Oklahoma Statutes.

County Sheriff: Chose not to respond.

County Clerk: The County Clerk is aware of the condition and will work toward the segregation of duties over payroll. Also, the County Clerk will ensure that adequate supporting documentation is attached to all purchase orders.

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.

An important aspect of internal control is the safeguard 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.

**GREER COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Further, Title 19 O.S. § 1505 prescribes the procedures established for the requisition, purchase, lease-purchase, rental, and receipt of supplies, material, and equipment for maintenance, operation, and capital expenditures of county government.

Finding 2015-5 – Noncompliance Over the Disbursement Process and the Transfer of Funds (Repeat Finding)

Condition: Upon inquiry and observation of the County’s disbursement and transfer of funds process, the following exceptions were noted with regard to the payment of payroll and operation expenses for the Sheriff’s department from the County Highway Fund and the transfer of funds between the County Clerk Lien Fee and the County Clerk Records Management Preservation funds.

As directed by the BOCC, payroll obligations for the County Sheriff’s office, were made as direct payments from the County Highway Fund – maintenance and operations account to cover the expenses rather than loan the funds with a temporary transfer from County Highway Fund to the Sheriff Board of Prisoners fund as allowed by Title 68 O.S. § 3021.

The direct payment of the Sheriff’s payroll from the County Highway Fund resulted in a violation of Title 69 O.S. § 1503(a) that requires highway funds to be restricted for the purpose of repairs and maintenance of roads and highways of the County.

Additionally, the following exceptions were noted with regards to the transfer of appropriations from the County Highway Fund to the Sheriff Board of Prisoner fund.

- In August 2014, the BOCC approved the transfer of \$11,000 from the County Highway Fund to the Sheriff Board of Prisoner fund to provide funding for payroll and operation expenses because there were insufficient funds held by the County Sheriff to meet obligations.
- In February 2015, the BOCC approved the transfer of \$3,250.39 from the County Emergency Fund to the Sheriff Board of Prisoner fund to provide funding of the annual vehicle payment of the County Sheriff because there were insufficient funds held by the County Sheriff to meet the obligation. The BOCC again approved a transfer of funds in the amount of \$33,000 in May 2015 for to provide funding for payroll and operation expenses because there were insufficient funds held by the County Sheriff to meet obligations.
- During the fiscal year 2015, the County Sheriff’s department reimbursed \$2,308.33, leaving a balance of \$73,009.66, of which \$36,759.27 remains due the County Highway Fund and \$36,250.39 to the County Emergency Fund at June 30, 2015.
- Further, the reoccurring borrowing of funds by the County Sheriff to meet obligations of payroll and operations for the Sheriff’s department began in March 2013 and has resulted in a total of \$193,239.39. Of the said total, \$156,989 has been paid and/or borrowed from the County Highway Fund to meet the obligations of expenditures by the County Sheriff. As of June 30, 2015, \$120,229.73 has been reimbursed to the County Highway Fund leaving a balance of

**GREER COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

\$36,759.27 required by the County Sheriff to reimburse the County Highway Fund. The total borrowed from the County Emergency Fund during the fiscal year 2015 totaled \$36,250 to meet the obligations of expenditures by the County Sheriff. As of the audit date, reimbursement to the County Emergency Fund has not been made by the County Sheriff.

Furthermore, the following exception was noted with regards to a transfer of appropriations from the County Clerk Lien Fee and the County Clerk Records Management Preservation funds.

- In 2014, the BOCC approved the transfer of \$448 from the County Clerk Lien Fee fund to the County Clerk Records Management Preservation fund due to a shortage of funds; however, the County Clerk Lien Fee fund was not reimbursed as of June 30, 2015. The transfers in fiscal year 2014 and fiscal year 2015 resulted in a balance due to the County Clerk Lien Fee fund in the amount of \$1,248 as of June 30, 2015.

Cause of Condition: Policies and procedures have not been designed over the disbursement process to strengthen internal controls and ensure compliance with state statutes regarding the disbursement process and the transfer between funds.

Effect of Condition: These conditions resulted in noncompliance with state statutes and could result in unrecorded transactions, undetected errors, and misappropriation of funds, inaccurate records, and incomplete information. These conditions resulted in funds being used for purposes other than those restricted by statute.

Recommendation: OSAI recommends the County implement policies and procedures to ensure compliance with state purchasing guidelines and that disbursements shall be appropriated and disbursed from the appropriate account within a fund (i.e., personal services, travel, maintenance/operations, capital outlay, and lease), and that highway funds be expended in accordance with state statute.

OSAI also recommends that the temporary transfer of money from one fund to meet the obligations of another fund shall be repaid to the loaning fund prior to the end of the fiscal year in accordance with Title 68 O.S. § 3021.

Management Response:

Board of County Commissioners: The Board of County Commissioners will express to fellow County officials the importance of County funds being repaid to a loaning fund in accordance with Oklahoma Statutes.

County Clerk: The money will be paid back to the County Clerk Lien Fee fund by June 30, 2016.

County Sheriff: Chose not to respond.

Criteria: An important 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

**GREER COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

unauthorized acquisition, use, or disposition of the entity's assets and safeguarding assets from loss, damage, or misappropriation.

Title 19 O.S. § 1417 applies to county cash funds in the establishment of accounts within a fund and states in part, "...Expenditures shall be departmentalized by appropriate functions and activities within each fund and shall be classified within the following categories: 1. Salaries and wages, which may include expenses for salaries, wages, per diem allowances and other forms of compensation;...3. Operating expenses, which may include materials and supplies, articles and commodities which are consumed or materially altered when used, such as office supplies, operating supplies and repair and maintenance supplies, and all items of expense to any persons, firm or corporation rendering a service in connection with repair, sale or trade of such articles or commodities, such as services or charges for communications, transportation, advertising, printing or binding, insurance, public utility services, repairs and maintenance, rentals, miscellaneous items and all items of operating expense to any person, firm or corporation rendering such services;...5. Capital outlays, which may include outlays which result in acquisition of or additions to fixed assets purchased by the county, including land, buildings, improvements other than buildings, and all construction, reconstruction, appurtenances or improvements to real property accomplished according to the conditions of a contract, machinery and equipment, furniture and autos and trucks; ..."

Title 68 O.S. § 3021 states in part, "Fourth: If at any time during the budget year it appears to the county treasurer that there is temporarily insufficient money in a particular fund to meet the requirements of appropriation in the fund, the excise board, upon request of the county treasurer and upon notification to the county commissioners, may temporarily transfer money from one fund to any other fund with the permission of the county officer in charge of the fund that the money will be temporarily transferred from. No transfer shall be made from the debt service fund to any other fund except as may be permitted by the terms of the bond issue or applicable law. Any funds temporarily transferred shall be repaid to the original fund from which they were transferred within the fiscal year that the funds were transferred."

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."

All Objectives:

The following findings are not specific to any objective, but are considered significant to all of the audit objectives.

Finding 2015-6 - 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: Policies and procedures have not been designed and implemented to address risks of the County.

Effect of Condition: These conditions could result in unrecorded transactions, undetected errors, or misappropriation of funds. Further, 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: 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
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

An important aspect of internal controls is the safeguarding of assets which includes adequate Disaster Recovery Plans. Internal controls over safeguarding of assets constitute a process, affected by an entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention in a County being unable to function in the event of a disaster. Disaster Recovery Plan(s) are an integral part of county operations to ensure that business can be continued as usual in the event of a disaster. Each office or the county as a whole should have a current, detailed Disaster Recovery Plan on file and should be aware of its content.

According to the standards of the Information Systems Audit and Control Association (CobiT, Deliver and Support 4), information services function management should ensure that a written Disaster Recovery Plan is documented and contains guidelines and instructions for the County to follow in the event of a disaster.

REPORT ON STATUTORY COMPLIANCE – OTHER MATTERS



Oklahoma State Auditor & Inspector

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Greer County
Board of County Commissioners
Greer County Courthouse
Mangum, Oklahoma 73554

Dear Chairman:

For the purpose of complying with 19 O.S. § 171 and 20 O.S. § 1312, we have performed statutory procedures regarding the following offices and departments for the fiscal year ended June 30, 2014:

- All County Offices - Fixed Assets procedures (19 O.S. § 178.1 and 69 O.S. § 645).
- All County Offices - Consumable Inventories procedures (19 O.S. § 1502 and 19 O.S. § 1504).
- Court Clerk procedures (20 O.S. § 1304 and 19 O.S. § 220).
- Inmate Trust Fund procedures (19 O.S. § 531 and 19 O.S. § 180.43).

Our statutory compliance engagement was limited to the procedures related to the statutes above and was less in scope than an audit performed in accordance with generally accepted auditing standards. Accordingly, we do not express an opinion on any basic financial statement of Greer County.

Based on our procedures performed, we have presented our findings in the accompanying schedule.

This report is intended for the information and use of the management of the County. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

A handwritten signature in blue ink, appearing to read "Gary A. Jones".

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

January 19, 2016

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2015-7 – Noncompliance Over the Court Clerk Disbursement Process (Repeat Finding)

Condition: The audit of ten (10) Court Fund voucher claims reflected the following:

- Two (2) of the claims did not have proper supporting documentation; therefore, the attributes of verifying mathematical accuracy and correct pricing was not documented.
- Two (2) of the claims did not have affidavit approval.
- Nine (9) of the claims did not have receiving reports.

Cause of Condition: Policies and procedures have not been designed to ensure adequate supporting documentation and approval is sufficient for all claims.

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

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

Management Response:

Court Clerk: We are aware of these conditions and are working towards correcting them.

Criteria: Effective accounting procedures include maintaining invoices and/or supporting documentation for all expenditures of the Court Fund. Invoices and supporting documentation are important to verify the mathematical accuracy and validity of the expenditure.

Finding 2015-8 – Inadequate Internal Controls and Noncompliance Over the Inmate Trust Fund Checking Account and Sheriff Commissary Fund (Repeat Finding)

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

- Inmate ledgers are not reconciled to the bank statement.
- Deposits are not made on a daily basis.
- An annual report for the Sheriff Commissary Fund is not filed annually with the Board of County Commissioners.
- A contract was signed by the County Sheriff for commissary services, without the approval of the BOCC.

After performing testwork regarding Inmate Trust Fund Checking Account expenditures, the following noncompliance was noted regarding the disbursements/checks tested:

**GREER COUNTY, OKLAHOMA
STATUTORY REPORT
FOR THE FISCAL YEAR ENDING JUNE 30, 2015**

- Fifteen (15) instances were noted where the checks were issued for expenditures not allowed by state statute.

Cause of Condition: Policies and procedures have not been designed and implemented regarding the Inmate Trust Fund Checking Account and 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, or misappropriation of funds not being detected in a timely manner. Further, these conditions resulted in noncompliance with state statutes.

Recommendation: OSAI recommends management be aware of this condition realize that a concentration of duties and responsibilities is not desired from a control point of view. Management should provide segregation of duties so that no employee is able to perform all accounting functions. Also, OSAI recommends inmate ledgers be reconciled to the bank statements on a monthly basis and deposits be made daily.

Further, OSAI recommends disbursements be made in accordance with 19 O.S. § 531A and for the Sheriff's office to file an annual report for the Commissary Fund with the Board of County Commissioners in accordance with 19 O.S. §180.43 E. and D.

Management Response:

County Sheriff: Chose not to respond.

Criteria: The overall goal of effective internal controls is to demonstrate accountability and stewardship. To help ensure a proper accounting of funds, no one individual should have the ability to authorize transactions, have physical custody of assets, and record transactions. In addition, bank reconciliations should be performed each month, and contracts should be approved by the Board of County Commissioners.

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 15 of each year."

Title 19 O.S. § 531 A. states in part, "The county sheriff may establish a checking account, to be designated the "Inmate Trust Fund Checking Account." The county sheriff shall deposit all monies collected from inmates incarcerated in the county jail into this checking

**GREER COUNTY, OKLAHOMA
STATUTORY REPORT
FOR THE FISCAL YEAR ENDING JUNE 30, 2015**

account and may write checks to the Sheriff's Commissary Account for purchases made by the inmate during his or her incarceration and to the inmate from unencumbered balances due the inmate upon his or her discharge."

Finding 2015- 9 – Inadequate Internal Controls and Noncompliance Over Fixed Assets and Consumable Inventories (Repeat Finding)

Condition: Upon inquiry and observation of fixed asset inventory we noted that although, the Highway District 1 and 2 perform annual physical fixed asset inventory count verification; evidence was not retained to support the internal control.

Further, upon observation of the consumable inventory item, diesel fuel for District 1, there was a discrepancy of 157 gallons that was reported on the fuel log compared to the actual gallons in the tank

Cause of Condition: Policies and procedures have not been designed and implemented by county officers for the accurate reporting of fixed assets and consumable inventory items, as well as procedures to ensure compliance with state statutes.

Effect of Condition: These conditions resulted in noncompliance with state statutes. When fixed assets are not monitored, 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 by maintaining inventory records and marking assets with county identification numbers and "Property of." OSAI recommends the performing and documenting a periodic inventory of fixed assets. Additionally, the key functions of receiving duties and inventory control duties should be performed by separate employees in order to effectively segregate those duties.

OSAI also recommends the performing and documenting of a monthly consumable inventory count. Counts should be initialed and dated by the employee performing the physical count and retained to show the design and implementation of internal controls by the County Commissioners. Additionally, the key functions of receiving duties and consumable inventory control duties should be performed by separate employees in order to effectively segregate those duties.

Management Response:

County Commissioner District 1: We will maintain documentation of the physical inventory and file the list with the County Clerk. We will also work to implement a system of internal controls over the consumable inventory.

County Commissioner District 2: We will maintain documentation of the physical inventory and file the list with the County Clerk.

**GREER COUNTY, OKLAHOMA
STATUTORY REPORT
FOR THE FISCAL YEAR ENDING JUNE 30, 2015**

Criteria: Accountability and stewardship are overall goals of management in the 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.

Title 19 O.S. § 178.1 requires the board of county commissioners in each county of this state to take or cause to be taken, an inventory of all working tools, apparatus, machinery and equipment.

Title 69 O.S. § 645 requires all county owned, rented, or leased road machinery or equipment be clearly and visibly marked "Property Of."

Title 19 O.S. § 1502(A)(1) requires a prescribed uniform identification system for all supplies, materials, and equipment of a county used for maintenance for roads and bridges.

Title 19 O.S. § 1502(B)(1) requires a prescribed uniform identification system for all supplies, materials, and equipment of a county not used in the construction and maintenance for roads and bridges.



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