



# HARMON COUNTY

## Financial Report

For the fiscal year ended June 30, 2021

**Cindy Byrd, CPA**  
State Auditor & Inspector

**HARMON COUNTY, OKLAHOMA  
FINANCIAL STATEMENT  
AND INDEPENDENT AUDITOR'S REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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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](http://www.sai.ok.gov)) and in the Oklahoma Department of Libraries Publications Clearinghouse Digital Prairie Collection (<http://digitalprairie.ok.gov/cdm/search/collection/audits/>) pursuant to 65 O.S. § 3-114.



November 8, 2023

TO THE CITIZENS OF  
HARMON COUNTY, OKLAHOMA

Transmitted herewith is the audit of Harmon County, Oklahoma for the fiscal year ended June 30, 2021. 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.

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.

Sincerely,

A handwritten signature in blue ink that reads "Cindy Byrd".

CINDY BYRD, CPA  
OKLAHOMA STATE AUDITOR & INSPECTOR

**HARMON COUNTY OFFICIALS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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**Board of County Commissioners**

District 1 – Gary Lewis  
District 2 – Rance Tillman  
District 3 – Greg Strawn

**County Assessor**

Kendra Tillman

**County Clerk**

Kara Gollihare

**County Sheriff**

Leslie Orr

**County Treasurer**

Donna Altom

**Court Clerk**

Stacy Macias

**District Attorney**

David Thomas

**HARMON COUNTY, OKLAHOMA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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**FINANCIAL SECTION**



## **Independent Auditor's Report**

TO THE OFFICERS OF  
HARMON COUNTY, OKLAHOMA

### ***Report on the Financial Statement***

We have audited the total—all county funds on the accompanying regulatory basis Statement of Receipts, Disbursements, and Changes in Cash Balances of Harmon County, Oklahoma, as of and for the year ended June 30, 2021, and the related notes to the financial statement, which collectively comprise the County's basic financial statement as listed in the table of contents.

### ***Management's Responsibility for the Financial Statement***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on this 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, the financial statement is prepared by Harmon 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 statement 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 Harmon County as of June 30, 2021, or changes in financial position for the year then ended.

### ***Unmodified Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statement referred to above presents fairly, in all material respects, the total receipts, disbursements, and changes in cash balances for all county funds of Harmon County, as of and for the year ended June 30, 2021, in accordance with the basis of accounting described in Note 1.

### ***Other Matters***

#### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the total of all county funds on the financial statement. The 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 supplementary information is the responsibility of management and was derived from and relates 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 supplementary information is fairly stated, in all material respects, in relation to the financial statement.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2023, on our consideration of Harmon 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 solely 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 effectiveness of the County’s internal control over financial reporting or on compliance. That report is an integral part



of an audit performed in accordance with *Government Auditing Standards* in considering Harmon County's internal control over financial reporting and compliance.



CINDY BYRD, CPA  
OKLAHOMA STATE AUDITOR & INSPECTOR

October 23, 2023

**REGULATORY BASIS FINANCIAL STATEMENT**

**HARMON COUNTY, OKLAHOMA**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND**  
**CHANGES IN CASH BALANCES—REGULATORY BASIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	Beginning Cash Balances July 1, 2020	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2021
County Funds:						
County General	\$ 359,265	\$ 783,870	\$ 1,326	\$ -	\$ 507,196	\$ 637,265
County Highway Unrestricted	5,601,360	1,716,769	-	-	1,611,441	5,706,688
County Bridge and Road Improvement	846,785	161,577	-	-	101,537	906,825
Health	84,035	61,284	-	-	54,340	90,979
Resale Property	31,529	31,919	2,559	-	15,048	50,959
County Clerk Lien Fee	38,755	1,948	-	-	-	40,703
Treasurer Mortgage Certification Fee	4,150	750	-	-	-	4,900
Assessor Revolving Fee	17,884	1,761	-	-	384	19,261
Sheriff Service Fee	102,407	60,951	-	-	85,128	78,230
County Clerk Records Management and Preservation	18,692	6,986	-	-	12,800	12,878
Cash Drawers	525	-	-	-	-	525
General Government Sales Tax	246,039	146,168	-	-	111,473	280,734
Hospital Sales Tax	-	139,415	-	-	139,415	-
Judgement Sales Tax Debt	178,267	139,685	-	-	-	317,952
County Sinking	135,104	552,585	-	-	500,020	187,669
County Donations	-	5,000	-	-	5,000	-
Reward Fund	-	15	-	-	-	15
Rural Economic Action Plan Revolving Fund	-	39,463	-	-	39,463	-
American Rescue Plan Act 2021	-	257,657	-	-	-	257,657
<b>Total - All County Funds</b>	<b>\$ 7,664,797</b>	<b>\$ 4,107,803</b>	<b>\$ 3,885</b>	<b>\$ -</b>	<b>\$ 3,183,245</b>	<b>\$ 8,593,240</b>

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

**HARMON COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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**1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

Harmon County is a subdivision of the State of Oklahoma created by the Oklahoma Constitution and regulated by Oklahoma Statutes.

The accompanying financial statement presents the receipts, disbursements, and changes in cash balances of the total of all funds under the control of the primary government. The general fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund, where its use is restricted for a specified purpose. Other funds established by statute and under the control of the primary government are also presented.

The County Treasurer collects, and remits material amounts of intergovernmental revenues and ad valorem tax revenue for other budgetary entities, including emergency medical districts, libraries, school districts, and cities and towns. The cash receipts and disbursements attributable to those other entities do not appear in funds on the County's financial statement; those funds play no part in the County's operations. Any trust or agency funds maintained by the County are not included in this presentation.

**B. Fund Accounting**

The County uses funds to report on receipts, disbursements, and changes in cash balances. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

Following are descriptions of the county funds included within the financial statement:

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

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

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

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

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

**HARMON COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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

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

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

Sheriff Service Fee – accounts for the collection of fees and reimbursements for revenues such as process fees and telephone cards and disbursements as restricted by state statute.

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

Cash Drawers – accounts for money used in the County Treasurer’s office for the purpose of making change.

General Government Sales Tax – accounts for monies received from county sales tax and expended for general maintenance and operations of Harmon County.

Hospital Sales Tax – accounts for monies received from county sales tax and expended for general operations and maintenance of Harmon County Healthcare Authority including Harmon County Memorial Hospital and Colonial Manor Nursing Home.

Judgement Sales Tax Debt – accounts for the collection of sales tax to be disbursed for the payment of the judgement indebtedness until paid, then to the Harmon County General Fund for operation and maintenance of Harmon County.

County Sinking – accounts for the collection of an ad valorem tax levy to be disbursed for the payment of the judgement indebtedness.

County Donations – accounts for the collection and disbursement of money from private donations.

Reward Fund – accounts for collections of a fee from district court for the dumping of trash. Disbursements account for awards paid to citizens for reporting illegal dumping to the local policing departments.

Rural Economic Action Plan Revolving Fund – accounts for all grant monies received by Harmon County and disbursed per grant agreements.

**HARMON COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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American Rescue Plan Act 2021 – accounts for monies received from the United States Department of Treasury and disbursed for responding to the COVID-19 public health emergency and its negative economic impact, premium pay to eligible workers, the provision of government services to the extent of the reduction in revenue due to the COVID-19 public health emergency, and investments in water, sewer, and broadband infrastructure as restricted by federal requirements.

**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 allows 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, which specifies the format and presentation of such regulatory basis financial statements: 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 with all other funds included in the audit presented in the aggregate in a combining statement. However, the County has elected to present all funds included in the audit in the Statement of Receipts, Disbursements, and Changes in Cash Balances—Regulatory Basis.

**D. Budget**

Under current Oklahoma Statutes, a general fund and a county health department fund are the only funds required to adopt a formal budget. On or before the first Monday in July of each year, each officer or department head submits an estimate of needs to the governing body. The budget is approved for the respective fund by office, or department and object. The County Board of Commissioners may approve changes of appropriations within the fund by office or department and object. To increase or decrease the budget by fund requires approval by the County Excise Board.

**E. Cash and Investments**

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

**HARMON COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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

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

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

**2. Ad Valorem Tax**

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

Taxes are due on November 1 following the levy date, although they may be paid in two equal installments. If the first half is paid prior to January 1, the second half is not delinquent until April 1. The County Treasurer, according to the law, shall give notice of delinquent taxes and special assessments by publication once a week for two consecutive weeks at any time after April 1, but prior to the end of September following the year the taxes were first due and payable. Unpaid real property taxes become a lien upon said property after the treasurer has perfected the lien by public notice.

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

**3. Other Information**

**A. Pension Plan**

Plan Description. The County contributes to the Oklahoma Public Employees Retirement Plan (the Plan), a cost-sharing, multiple-employer defined benefit pension plan administered by the Oklahoma Public Employees Retirement System (OPERS). Benefit provisions are established and

**HARMON COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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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; however, 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. Long Term Obligations**

**1. Judgments**

The County has a judgment which is being retired by a tax levy. The County is obligated to pay the judgment over a ten-year period. During the fiscal year ending June 30, 2021, the County paid the fourth of ten (10) payments of \$500,000, and processing fee of \$20.

<u>Case Number</u>	<u>Original Judgment</u>
CIV-14-936-F	\$6,500,000

A settlement and forbearance agreement was executed on June 26, 2017 which required the County to pay to the plaintiff and her attorneys the sum of \$1,695,411, plus any accrued interest, which was on deposit in the registry of the Court as required by the



**HARMON COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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Court's Order of March 3, 2017, (Docket No. 248). Additionally, Harmon County agrees that it shall make ten (10) equal payments of \$500,000 each to the plaintiff or her designee with the first payment to be due and paid on or before April 1, 2018 with nine (9) additional like payments to be made on the first day of April each year thereafter through April 1, 2027.

Payments in the amount of \$500,000 shall be paid on or before April 15 of each year. Future principal payments that will become due on the existing judgment are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Total</u>
2022	\$ 500,000	\$ 500,000
2023	500,000	500,000
2024	500,000	500,000
2025	500,000	500,000
2026	500,000	500,000
2027	<u>500,000</u>	<u>500,000</u>
Total	<u>\$3,000,000</u>	<u>\$3,000,000</u>

**E. Sales Tax**

**Sales Tax of February 24, 1984**

The voters of Harmon County approved a permanent one cent (1%) sales tax effective May 1, 1984. This sales tax was established to provide revenue for general operations and county roads of the government of Harmon County, Oklahoma. These funds are accounted for in the General Government Sales Tax fund.

**Sales Tax of June 26, 2018**

The voters of Harmon County approved a one cent (1%) sales tax effective October 1, 2018 for a limited life of twenty-five (25) years. The funds are to be used for the general operations and maintenance of Harmon County Healthcare Authority, including Harmon Memorial Hospital and Colonial Manor Nursing Home. These funds are accounted for in the Hospital Sales Tax fund and disbursed directly to Harmon County Healthcare Authority.

The voters of Harmon County also approved an additional one cent (1%) sales tax effective November 1, 2018, for an unlimited duration. The funds are to be used for the payment of the judgement against Harmon County, CIV-14-936-F until paid, then to the Harmon County General Fund for the operation and maintenance of Harmon County. These funds are accounted for in the Judgement Sales Tax Debt fund.

**HARMON COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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**F. Interfund Transfers**

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

- \$2,559 was transferred to Resale Property from Excess Resale (a trust and agency fund) in accordance with 68 O.S. § 3131C.
- \$1,326 was transferred to County General from Sheriff Estray Cattle (a trust and agency fund) in accordance with 4 O.S. § 85.6(D).

**SUPPLEMENTARY INFORMATION**

**HARMON COUNTY, OKLAHOMA**  
**COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—**  
**BUDGETARY BASIS—GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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	General Fund		
	Budget	Actual	Variance
District Attorney - County	\$ 1,000	\$ -	\$ 1,000
County Sheriff	209,832	152,317	57,515
County Treasurer	64,032	63,031	1,001
OSU Extension	14,500	9,428	5,072
County Clerk	46,957	43,460	3,497
Court Clerk	56,031	54,031	2,000
County Assessor	42,002	39,889	2,113
Visual Inspection	14,000	6,623	7,377
General Government	190,317	78,336	111,981
Excise - Equalization	2,700	1,550	1,150
Election Board	60,624	54,669	5,955
Emergency Management	200	-	200
County Audit Budget	6,766	6,766	-
Free Fair Budget	2,250	-	2,250
Total Expenditures, Budgetary Basis	\$ 711,211	\$ 510,100	\$ 201,111

**HARMON COUNTY, OKLAHOMA  
 COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—  
 BUDGETARY BASIS—HEALTH FUND  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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	Health Fund		
	Budget	Actual	Variance
Health and Welfare	\$ 129,193	\$ 54,633	\$ 74,560
Total Expenditures, Budgetary Basis	\$ 129,193	\$ 54,633	\$ 74,560

**HARMON COUNTY, OKLAHOMA  
NOTE TO SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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**1. Budgetary Schedules**

The Comparative Schedules of Expenditures—Budget and Actual—Budgetary Basis for the General Fund and the Health 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 Statement of Receipts, Disbursements, and Changes in Cash Balances 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.

**INTERNAL CONTROL AND COMPLIANCE SECTION**



**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  
HARMON COUNTY, OKLAHOMA

We have audited, 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, the total—all county funds of the accompanying Statement of Receipts, Disbursements, and Changes in Cash Balances of Harmon County, Oklahoma, as of and for the year ended June 30, 2021, and the related notes to the financial statement, which collectively comprise Harmon County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated October 23, 2023.

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 as of and for the year ended June 30, 2021, 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 Harmon County's internal control over financial reporting (internal control) as a basis for designing 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 Harmon County's internal control. Accordingly, we do not express an opinion on the effectiveness of Harmon County's internal control.

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses: 2021-001, 2021-003.



A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies: 2021-008.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Harmon 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 financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2021-003.

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

### **Harmon County's Response to Findings**

Harmon County's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Harmon County's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

### **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 results 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.



CINDY BYRD, CPA  
OKLAHOMA STATE AUDITOR & INSPECTOR

October 23, 2023

**HARMON COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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**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 2021-001 – Lack of County-Wide Internal Controls (Repeat Finding 2013-001, 2014-001, 2018-001, 2019-001, 2020-001)**

**Condition:** Through the process of gaining an understanding of the County’s internal control structure, it was noted that county-wide internal controls regarding Risk Assessment, Information and Communication, and Monitoring have not been designed.

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

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

**Recommendation:** The Oklahoma State Auditor & Inspector’s Office (OSAI) recommends that the County design and implement policies and procedures to document their internal control framework. This documentation should outline the importance of internal controls, the risk that the County has identified, the control activities established to address the risk, the steps taken to properly communicate pertinent information in a timely manner and the methodology to monitor the quality of performance over time. These procedures should be written policies and procedures and could be included in the County’s policies and procedures handbook.

**Management Response:**

**Chairman of the Board of County Commissioners:** The Board of County Commissioners will work to implement assessing and identifying risks.

**Criteria:** The United States Government Accountability Office’s (*Standards for Internal Control in the Federal Government*) (2014 version) aided in guiding our assessments and conclusion. Although this publication (GAO Standards) addresses controls in the federal government, this criterion can be treated as best practices and may be applied as a framework for an internal control system for state, local, and quasi-governmental entities.

The GAO Standards – Section 1 – Fundamental Concepts of Internal Control – OV1.01 states in part:

*Definition of Internal Control*

Internal control is a process effected by an entity’s oversight body, management, and other personnel that provides reasonable assurance that the objectives of an entity will be achieved.

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Additionally, GAO Standards – Section 2 – Establishing an Effective Internal Control System – OV2.04 states in part:

*Components, Principles, and Attributes*

Control Environment - The foundation for an internal control system. It provides the discipline and structure to help an entity achieve its objectives.

Risk Assessment - Assesses the risks facing the entity as it seeks to achieve its objectives. This assessment provides the basis for developing appropriate risk responses.

Information and Communication - The quality information management and personnel communicate and use to support the internal control system.

Monitoring - Activities management establishes and operates to assess the quality of performance over time and promptly resolve the findings of audits and other reviews.

**Finding 2021-003 – Lack of Internal Controls and Noncompliance Over the Payroll and Disbursement Process (Repeat Finding – 2013-003, 2014-003, 2018-005, 2019-003, 2020-003)**

**Condition:** The County does not have an adequate segregation of duties over payroll to ensure that duties assigned to individuals are done so in a manner that would not allow one individual to control both the recording function and the procedures relative to processing a transaction.

Further, the audit of thirteen (13) disbursements, reflected the following:

- One (1) disbursement was not properly encumbered in accordance with state statute.

**Cause of Condition:** Policies and procedures have not been designed and implemented to strengthen internal controls and ensure compliance with state statute.

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

**Recommendation:** OSAI recommends management be aware of these conditions and realize that 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 the office operations and a review of said operations while maintaining supporting documentation of designed and implemented internal controls. Further, OSAI recommends the County implement a system of internal controls over the disbursement process. Such controls should include ensuring that funds are encumbered prior to the receipt of goods and/or services, implementing a review process with adequate documentation to support the review, and implementing procedures to ensure authorized personnel requisition, receive, and approve cash disbursements in accordance with 19 O.S. § 1505.

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**Management Response:**

**County Clerk:** I will work to properly segregate all the duties over payroll and ensure all purchase orders follow proper purchasing procedures.

**Chairman, Board of County Commissioners:** The Board of County Commissioners will express to all County Officials the importance of county funds being encumbered prior to the receipt of goods and/or services.

**Criteria:** The GAO Standards – Principle 10 – Design Control Activities – Design of Appropriate Types of Control Activities – 10.03 states in part:

*Segregation of Duties*

Management divides or segregates key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. This includes separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets so that no one individual controls all key aspects of a transaction or event.

Additionally, Principle 10 - Segregation of Duties states:

10.12 – Management considers segregation of duties in designing control activity responsibilities so that incompatible duties are segregated and, where such segregation is not practical, designs alternative control activities to address the risk.

10.13 – Segregation of duties helps prevent fraud, waste, and abuse in the internal control system. Management considers the need to separate control activities related to authority, custody, and accounting of operations to achieve adequate segregation of duties. In particular, segregation of duties can address the risk of management override. Management override circumvents existing control activities and increases fraud risk. Management addresses this risk through segregation of duties but cannot absolutely prevent it because of the risk of collusion, where two or more employees act together to commit fraud.

10.14 – If segregation of duties is not practical within an operational process because of limited personnel or other factors, management designs alternative control activities to address the risk of fraud, waste, or abuse in the operational process.

Further, effective internal controls require that management properly implement procedures to ensure that purchases comply with 19 O.S. § 1505.

**Finding 2021-008 – Lack of Internal Controls and Noncompliance Over Treasurer Daily Deposit**

**Condition:** Upon inquiry and the observation of records within the office of the County Treasurer, the following was noted:

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Regarding subsequent receipts examined for fiscal year end June 30, 2021, we determined that deposits for the receipts issued for July 1, 2021 were not deposited with the financial institution until July 6, 2021. It was noted that daily deposits were not made in accordance with 19 O.S. § 682.

**Cause of Condition:** Policies and procedures have not been designed and implemented by the County Treasurer to establish a daily deposit schedule and ensure receipts are recorded in the proper period.

**Effect of Condition:** These conditions resulted in noncompliance with state statute requiring daily deposits of monies collected, and could result in unrecorded transactions, misstated financial reports, or misappropriation of funds which would not be detected in a timely manner.

**Recommendation:** OSAI recommends the office of the County Treasurer deposit all monies collected daily in compliance with state statute.

**Management Response:**

**County Treasurer:** We will ensure deposits are made daily.

**Criteria:** Title 19 O.S. § 682 states in part, “It shall be the duty of each and every county officer, county board, county commission and all members and employees of either thereof, to deposit daily in the official depository designated in Section 681 of this title, all monies, checks, drafts, orders, vouchers, funds, rentals, penalties, costs, proceeds of sale of property, fees, fines, forfeitures and public charges of every kind received or collected by virtue or under color of office..”

**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 2021-006 – Lack of Internal Controls and Noncompliance Over Sheriff Commissary Fund and Inmate Trust Fund Checking Account**

**Condition:** Upon inquiry and the observation of records of the Sheriff Commissary Fund the following was noted:

- Commissary proceeds received from the commissary vendor are deposited into the Sheriff Service Fee fund with other fees collected.
  - A Sheriff Commissary Fund has not been established within the office of the County Treasurer and County Clerk.
- An annual report for the Sheriff Commissary Fund was not prepared and filed with the Board of County Commissioners by January 15<sup>th</sup>.

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Upon inquiry and the observation of records of the Inmate Trust Fund Checking Account, the following was noted:

- A residual balance of unclaimed funds remains in the Inmate Trust Fund Checking Account.
- Bank reconciliations were not performed to verify the total fund balance or to verify the subsidiary ledgers reconcile with inmate balances.

**Cause of Condition:** Policies and procedures have not been designed and implemented regarding the Sheriff Commissary Fund or the Inmate Trust Fund Checking Account to ensure compliance with state statutes.

**Effect of Condition:** These conditions resulted in noncompliance with state statutes.

**Recommendation:** OSAI recommends the County Sheriff design and implement policy and procedures to ensure:

- Commissary proceeds are deposited into the Sheriff Commissary Fund in accordance with 19 O.S. § 180.43(D).
- The County Sheriff files a report of the commissary with the County Commissioners by January 15th of each year in accordance with 19 O.S. § 180.43 (D).
- The County Sheriff address unclaimed Inmate Trust Fund monies in accordance with 22 O.S. § 1325(F, H).
- Bank reconciliations are performed on all bank accounts on a monthly basis.
- Reconciliations denote proof of review and approval by someone other than the preparer.
- The individual inmate's trust fund balances are reconciled to the bank statements each month.

**Management Response:**

**County Sheriff:** We will talk to the County Clerk and Treasurer to establish a Sheriff Commissary Fund and deposit commissary proceeds into this fund going forward. We will file a Sheriff Commissary Report with the Board of County Commissioners by January 15 of each year. We have discontinued depositing inmate's funds into the Inmate Trust Fund Checking Account as of June 30, 2021. The remaining monies in the Inmate Trust Fund Checking Account are the residual balances from inmates that did not cash their refund checks. We will reference state statute on the closing of the Inmate Trust Fund Checking Account.

**Criteria:** Title 19 O.S. § 180.43(D) states in part, "Each county sheriff may operate...a commissary for the benefit of persons lawfully confined in the county jail under the custody of the county sheriff. 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

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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 22 O.S. § 1325(F) states in part, "A sheriff's office having in its possession money or legal tender under the circumstances provided in subsection A of this section, prior to appropriating the same for deposit into a special fund, shall file an application in the district court of its county requesting the court to enter an order authorizing it to so appropriate the money for deposit in the special fund. The application shall describe the money or legal tender, together with serial numbers, if any, the date the same came into the possession of the sheriff's office or campus police agency, and the name and address of the owner, if known. Upon filing, the application, which may be joined with an application as described in subsection C of this section, shall be set for hearing not less than ten (10) days nor more than twenty (20) days from the filing thereof, and notice of the hearing shall be given as provided in subsection D of this section. The notice shall state that, upon no one appearing to prove ownership to the money or legal tender, the same will be ordered by the court to be deposited in the special fund by the sheriff's office or campus police agency. The notice may be combined with a notice to sell personal property as set forth in subsection D of this section. At the hearing, if no one appears to claim and prove ownership to the money or legal tender, the court shall order the same to be deposited by the sheriff's office or campus police agency in the special fund, as provided in subsection H of this section."

Title 22 O.S. § 1325(H) states in part, "The money received from the sale of personal property as above provided, after payment of the court costs and other expenses, if any, together with all money in possession of the sheriff's office or campus police agency, which has been ordered by the court to be deposited in the special fund, shall be deposited in such fund which shall be separately maintained by the sheriff's office in a special fund with the county treasurer or campus police agency to be expended upon the approval of the sheriff or head of the campus police agency for the purchase of equipment, materials or supplies that may be used in crime prevention, education, training or programming. The fund or any portion of it may be expended in paying the expenses of the sheriff or any duly authorized deputy or employee of the campus police agency to attend law enforcement or public safety training courses which are conducted by the Oklahoma Council on Law Enforcement Education and Training (CLEET) or other certified trainers, providers, or agencies."

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