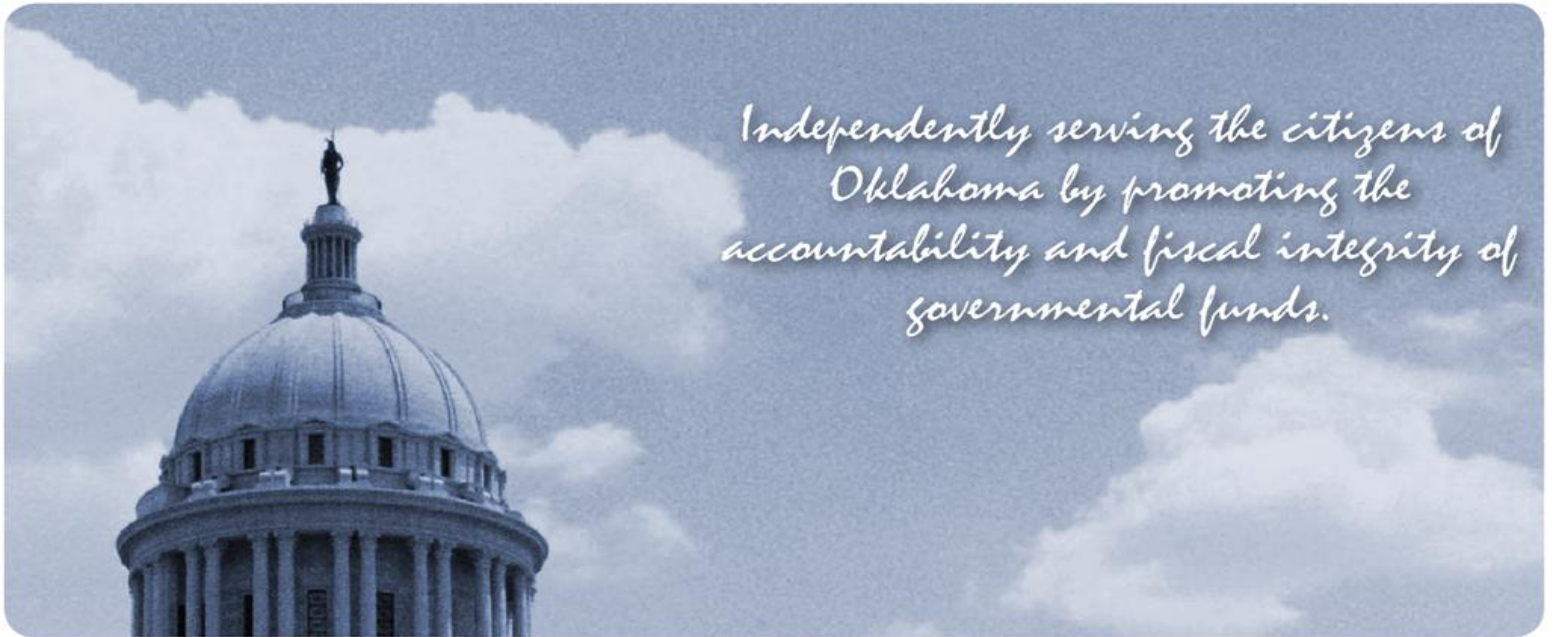


OPERATIONAL AUDIT

HARPER COUNTY

For the fiscal year ended June 30, 2013



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

**HARPER COUNTY OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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



Oklahoma State Auditor & Inspector

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

January 20, 2016

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

Transmitted herewith is the audit report of Harper County for the fiscal year ended, June 30, 2013.

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, reading "Gary A. Jones".

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

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

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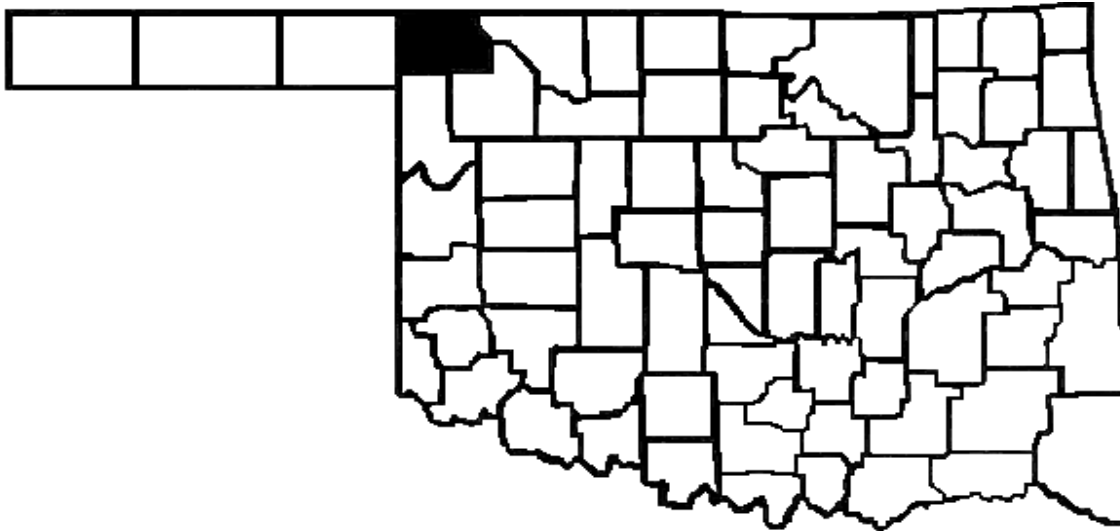
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**HARPER COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**



Part of the area opened in the Land Run of September 16, 1893, Harper County was named for Oscar G. Harper, clerk of the Oklahoma Constitutional Convention.

The mainstay of the Harper County economy is agriculture, but the production of oil and gas also plays an important economic role. Prime cattle are in evidence throughout the area's feed yards. A modern veterinarian clinic and hospital with facilities for large animal surgery is close at hand.

Located on the old Military Trail from Fort Supply to Fort Dodge, Buffalo, the county seat is twelve miles south of the Kansas line and approximately thirty miles from Texas.

With many of its original stone buildings still in use, Buffalo is the home of the State Highway Department's Sixth Division Headquarters. Two schools, the Harper County Community Hospital, and an airport, are located in Buffalo. Laverne also has an airport.

Famous county residents include Roy Dunn, world champion wrestler; Mel Harpe, who recommended Knute Rockne as football coach for Notre Dame; and Jane Jayroe, Miss America, 1967. Annual events include the County Fair during early fall and the Laverne Trade show. The Old Settler's Picnic has been held on the third Sunday in August annually since 1940. For more information, call the county clerk: 580/735-2012.

County Seat – Buffalo

Area – 1,040.96 Square Miles

County Population – 3,676
(2012 est.)

Farms – 580

Land in Farms – 616,947 Acres

Primary Source: Oklahoma Almanac 2013-2014

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

Board of County Commissioners

District 1 – Cody Hickman
District 2 – Carl Lavery
District 3 – W.A. (Bill) Bair

County Assessor

Lynette Ingraham

County Clerk

Karen Hickman

County Sheriff

Marty Drew

County Treasurer

Peggy Tillery

Court Clerk

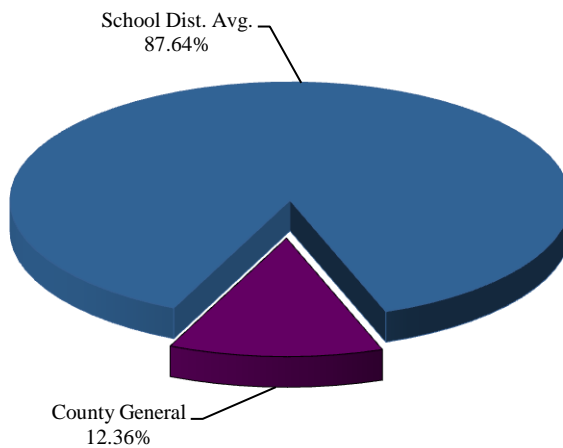
Linda Crouch

District Attorney

James M. Boring

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

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



County-Wide Millages			School District Millages							
County General	10.00		Gen.	Bldg.	Skg.	Common	EMS	Career Tech	Total	
		Town of Laverne	1-T	35.00	5.00	-	4.00	3.00	-	47.00
		Rural Laverne	1-R	35.00	5.00	-	4.00	3.00	-	47.00
		Town of Rosston	1T-2	35.00	5.00	-	4.00	3.00	-	47.00
		Town of May	JT-5	35.00	5.00	11.63	4.00	-	12.00	67.63
		Town of Buffalo	4-T	35.00	5.00	9.08	4.00	3.00	12.00	68.08
		Rural Buffalo	4-R	35.00	5.00	9.08	4.00	3.00	12.00	68.08
		Woodward	J-1	35.00	5.00	20.36	4.00	-	12.00	76.36
		Fort Supply	J-5	35.00	5.00	11.63	4.00	-	12.00	67.63
		Freedom	J-6	35.00	5.00	2.66	4.00	-	13.00	59.66

**HARPER COUNTY, OKLAHOMA
SALES TAX DISTRIBUTION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Sales Tax

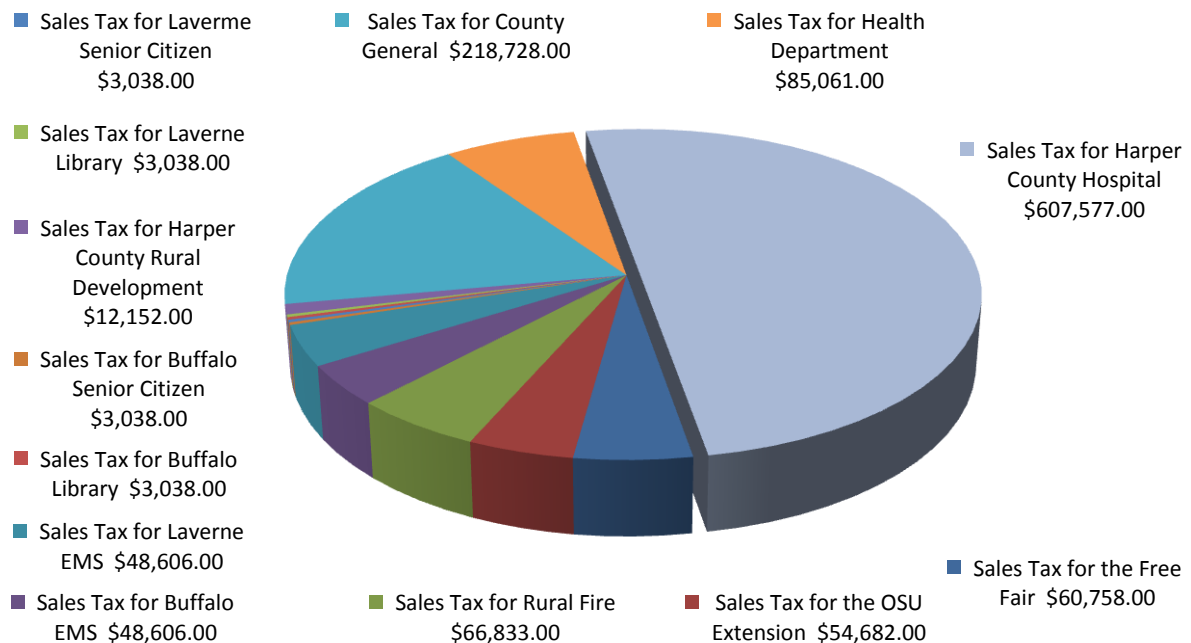
Sales Tax of April 3, 2007

The voters of Harper County approved a one percent (1%) sales tax on April 3, 2007. This sales tax was established to provide funds for the general operations and capital improvements of health care facilities, for purposes pertaining to the health and general well-being of the people of Harper County. The sales tax became effective May 1, 2008 and expired April 30, 2013.

Sales Tax of November 8, 2011

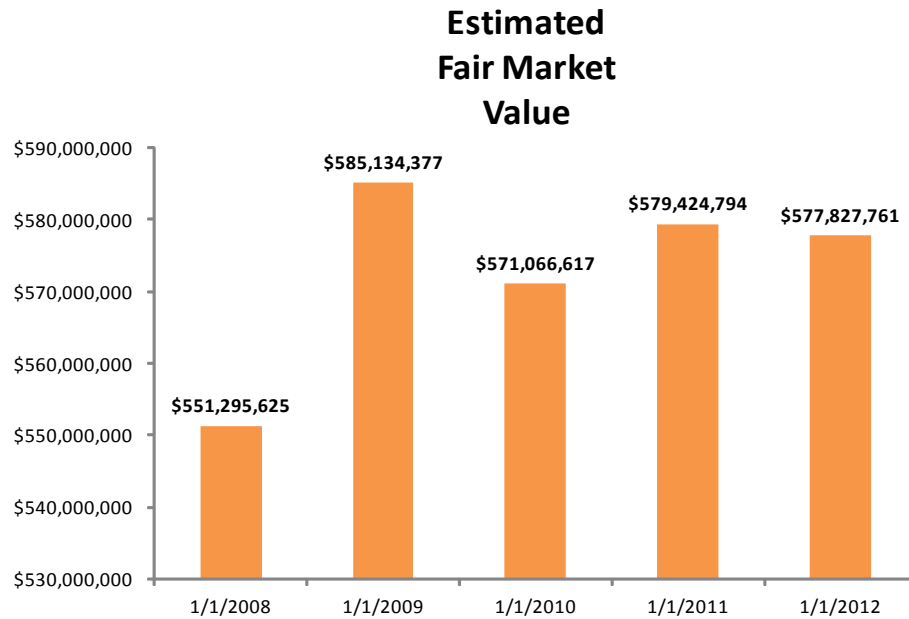
The voters of Harper County also approved a one percent (1%) sales tax on November 8, 2011. This sales tax was established to provide funds to the Harper County OSU Extension Office (9%); Harper County Free Fair (10%); Harper County Rural Fire Association (11%); Buffalo EMS (8%); Laverne EMS (8%); Laverne Senior Citizens (.5%); Buffalo Senior Citizens (.5%); Harper County Rural Development Council (2%); Laverne Delphian Municipal Library (.5%); Buffalo Public Library (.5%); Harper County Health Department (14%); Harper County General Fund (36%). The sales tax became effective July 1, 2012 and expires June 30, 2017. These funds are accounted for separately, in special revenue funds of the same name, as noted in the previous sentence.

During the fiscal year the County collected \$1,215,155 in total sales tax.



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

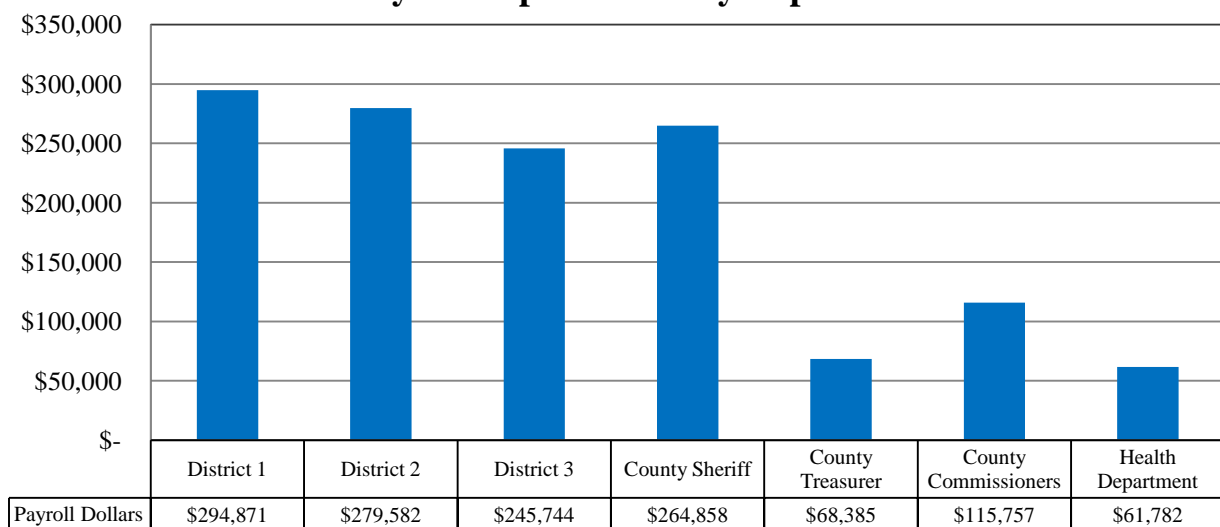
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2012	\$39,368,642	\$23,733,839	\$20,053,316	\$951,504	\$82,204,293	\$577,827,761
1/1/2011	\$39,530,072	\$24,844,886	\$19,489,922	\$966,961	\$82,897,919	\$579,424,794
1/1/2010	\$38,834,657	\$24,787,606	\$19,160,106	\$983,149	\$81,799,220	\$571,066,617
1/1/2009	\$40,691,121	\$25,719,055	\$18,626,515	\$992,633	\$84,044,058	\$585,134,377
1/1/2008	\$36,300,770	\$26,774,185	\$18,042,971	\$1,008,371	\$80,109,555	\$551,295,625



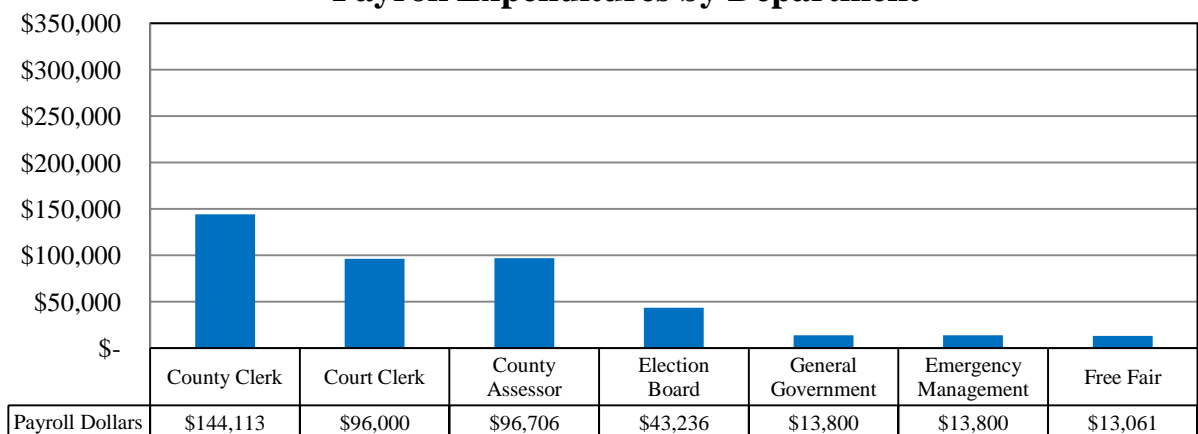
**HARPER COUNTY, OKLAHOMA
COUNTY PAYROLL EXPENDITURES ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

Payroll Expenditures by Department



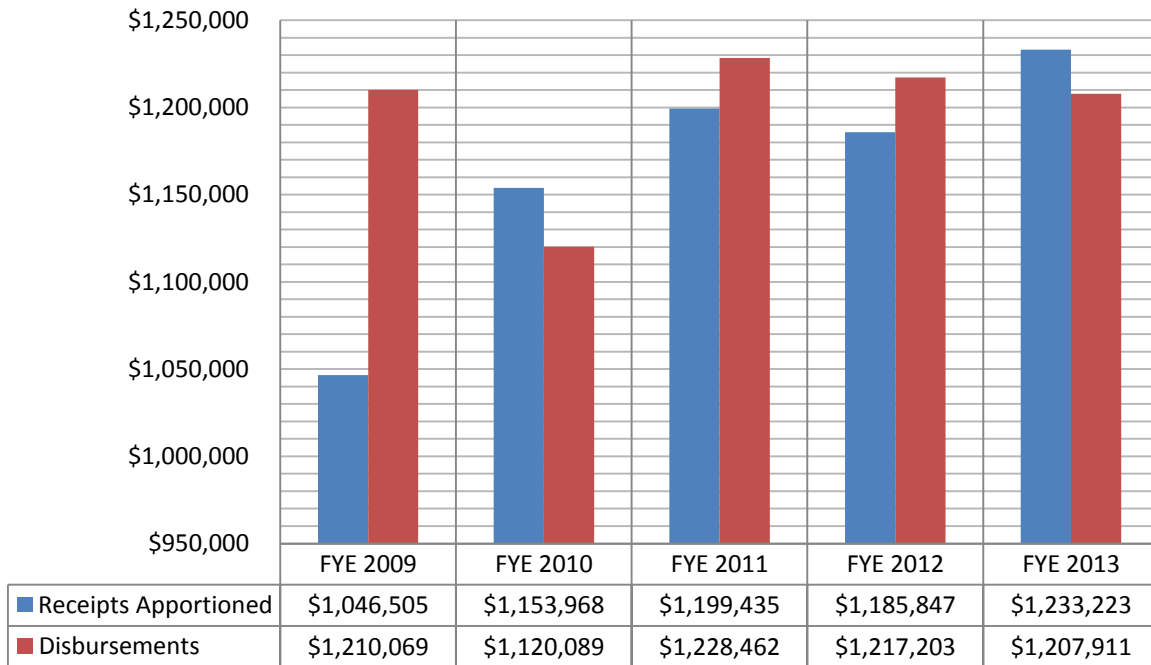
Payroll Expenditures by Department



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

County General Fund

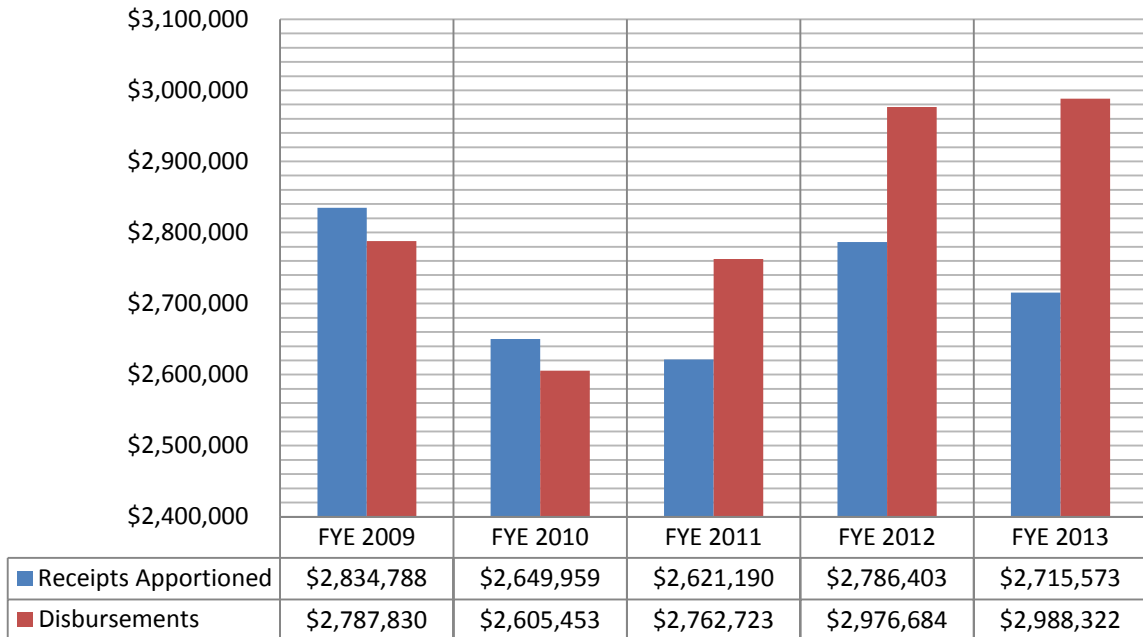
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also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



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

County Highway Fund

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



**HARPER COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Presentation of Apportionments, Disbursements, and Cash Balances of County Funds for Fiscal Year Ending June 30, 2013

	Beginning Cash Balances July 1, 2012	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2013
Combining Information:						
County General Fund	\$ 537,191	\$ 1,233,223	\$ -	\$ -	\$ 1,207,911	\$ 562,503
Highway Cash	3,585,907	2,715,573	1,670	-	2,988,322	3,314,828
T-9 Highway	264,619	862	-	-	-	265,481
Solid Waste Cash Fund	2,030	-	-	-	-	2,030
Visual Inspection Reimbursement	29,477	-	-	-	14,330	15,147
County Assessor Revolving	3,140	2,073	-	-	772	4,441
County Clerk Special	104,790	14,060	-	-	35,010	83,840
Sheriff Drug Cash Forfeiture	55,430	-	-	-	51,581	3,849
Sheriff Forfeiture Fund	988	-	-	-	842	146
Sheriff Special	59,225	70,254	-	-	45,537	83,942
Sheriff Commissary	5,273	2,794	-	-	1,862	6,205
Sheriff Department of Corrections	9,983	34,101	-	-	33,096	10,988
Sheriff Courthouse Security	9,540	4,363	-	-	2,587	11,316
Treasurer Mortgage Tax Certification Fee	1,640	620	-	-	-	2,260
Resale Property	44,390	12,644	-	-	11,685	45,349
County Sales Tax						
County Sales Tax - Health Department	141,827	85,536	-	-	121,219	106,144
County Sales Tax - OSU Extension	128,383	54,682	-	-	39,935	143,130
County Sales Tax - Free Fair	103,723	63,358	-	-	72,464	94,617
County Sales Tax - Rural Fire	141,602	66,833	-	-	59,655	148,780
County Sales Tax - Laverne EMS	8,784	48,606	-	-	50,958	6,432
County Sales Tax - Buffalo Senior Citizens	4,550	3,038	-	-	924	6,664
County Sales Tax - Laverne Senior Citizens	549	3,038	-	-	2,394	1,193
County Sales Tax - Laverne Delphian Library	549	3,038	-	-	1,457	2,130
County Sales Tax - Rural Development	27,211	12,152	-	-	14,536	24,827
County Sales Tax - County General	142,197	219,283	-	-	191,889	169,591
County Sales Tax - Buffalo Library	549	3,038	-	-	2,825	762
County Sales Tax - Buffalo EMS	8,784	48,606	-	-	34,343	23,047
County Sales Tax - County Hospital	109,805	607,577	-	-	675,750	41,632
Local Emergency Planning Committee	7,710	20	-	-	-	7,730
Harper County Emergency Management	26,996	16,500	-	-	21,375	22,121
General Insurance Special	936	-	-	-	-	936
E911	22,228	63,329	-	-	-	85,557
Bridges	1,220,590	251,364	-	1,670	405,605	1,064,679
Combined Total - All County Funds, As Restated	\$ 6,810,596	\$ 5,640,565	\$ 1,670	\$ 1,670	\$ 6,088,864	\$ 6,362,297

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

**HARPER COUNTY
DESCRIPTION OF COUNTY FUNDS
OPERATIONAL AUDIT
FOR THE FISCAL YEAR JUNE 30, 2013**

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.

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

T-9 Highway – accounts for state funds set aside to be used for special road and bridge projects as mandated by the state.

Solid Waste Cash Fund – accounts for the residual balance of funds set aside for solid waste management.

Visual Inspection Reimbursement – accounts for the collections and disbursements by the Assessor as restricted by state statute for the visual inspection program.

County Assessor Revolving – accounts for fee collections and disbursements as restricted by statute for the operation of the office.

County Clerk Special – accounts for lien fee collections by the County Clerk and disbursements are restricted by state statute.

Sheriff Drug Cash Forfeiture – accounts for money seized by the Sheriff's office and disbursed for drug interdiction.

Sheriff Forfeiture Fund – accounts for proceeds from the sale of unclaimed livestock and disbursements consisted of advertisements for the livestock, feed, and upkeep of the livestock with the remaining balance disbursed to the County General Fund after one year.

Sheriff Special – accounts for fee collections and disbursements as restricted by state statute.

Sheriff Commissary – accounts for fees collected on items purchased by inmates and disbursed to maintain commissary inventory.

Sheriff Department of Corrections – accounts for funds collected from the state to house inmates and disbursed to care for inmates.

**HARPER COUNTY
DESCRIPTION OF COUNTY FUNDS
OPERATIONAL AUDIT
FOR THE FISCAL YEAR JUNE 30, 2013**

Sheriff Courthouse Security – accounts for the \$10.00 fees collected on traffic, misdemeanor, and felony court cases and disbursements are for enhancing existing or providing additional courthouse security as set forth by Title 28 O.S. § 153.E.60.

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.

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

County Sales Tax – each fund separately accounts for the collection of a one-cent sales tax on gross receipts of proceeds on behalf of the Health Department (14%); OSU Extension (9%); Free Fair (10%); Rural Fire (11%); Laverne EMS (8%); Buffalo Senior Citizens (.5%); Laverne Senior Citizens (.5%); Laverne Delphian Library (.5%); Rural Development (2%); General Fund (36%); Buffalo Public Library (.5%); and Buffalo EMS (8%).

County Sales Tax – County Hospital – accounts for the collection of a one-cent sales tax on behalf of the hospital and is remitted monthly. As of October 2012, sales tax expenditures were made in accordance with county purchasing procedures.

Local Emergency Planning Committee – accounts for annual fees collected from oil companies and disbursed for emergency preparation.

Harper County Emergency Management – accounts for collections and disbursements of funds for the purpose of data collection and establishing and implementing procedures to follow in the event of an emergency. Collections include annual contributions of \$3,000 each from Harper County, the Town of Buffalo and the Town of Laverne, to be expended for the salary of the Emergency Management Representative. Grants received for projects completed are spent to supplement the salary and for maintenance and operations expenses.

General Insurance Special – accounts for insurance reimbursements to be used to make repairs and replace damaged buildings.

E911 – accounts for fees collected on all land line and wireless phone numbers within the County and disbursed to establish a 911 emergency system.

Bridges – accounts for monies received from the state to improve bridges and roads within the County.

HARPER 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, 2013

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 537,191	\$ 537,191	\$ -
Less: Prior Year Outstanding Warrants	(87,400)	(87,400)	-
Less: Prior Year Encumbrances	(13,296)	(12,025)	1,271
Beginning Cash Balances, Budgetary Basis	436,495	437,766	1,271
Receipts:			
Ad Valorem Taxes	862,395	830,517	(31,878)
Charges for Services	40,088	36,277	(3,811)
Intergovernmental Revenues	237,711	305,499	67,788
Miscellaneous Revenues	51,961	60,930	8,969
Total Receipts, Budgetary Basis	1,192,155	1,233,223	41,068
Expenditures:			
District Attorney	2,500	2,500	-
County Sheriff	332,000	306,727	25,273
County Treasurer	81,000	79,148	1,852
County Clerk	138,500	136,181	2,319
Court Clerk	103,100	101,777	1,323
County Assessor	63,000	50,621	12,379
Revaluation	101,500	105,359	(3,859)
General Government	711,620	340,087	371,533
Excise Equalization	2,500	2,364	136
County Election Board	47,567	43,990	3,577
Charity	20,551	20,551	-
Library	1,000	1,000	-
County Audit Budget Account	23,812	23,812	-
Total Expenditures, Budgetary Basis	1,628,650	1,214,117	414,533

Continued on next page

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

HARPER COUNTY, OKLAHOMA
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
COUNTY GENERAL FUND - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	General Fund		
	Budget	Actual	Variance
Continued from previous page			
Excess of Receipts and Beginning Cash			
Balances Over Expenditures, Budgetary Basis	\$ -	456,872	\$ 456,872
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		94,255	
Add: Current Year Encumbrances		11,376	
Ending Cash Balance		\$ 562,503	

**HARPER COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED, JUNE 30, 2013**

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, 2013. 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.

**HARPER COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED, JUNE 30, 2013**

Objective 1: To determine the receipts apportioned, disbursements, and cash balances are accurately presented on the County Treasurer's monthly reports for FY 2013.

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, internal controls over the County Treasurer's accounting records should be strengthened.

FINDINGS AND RECOMMENDATIONS

Finding 2013-1 – Inadequate Internal Controls Over the County Treasurer's Accounting Records (Repeat Finding)

Condition: Upon inquiry of the County Treasurer and Deputy, observation and review of documents, and testwork, the following was noted:

- Bank account information including interest earned on investments was not updated on the monthly reports.
- The bank statement reconciliations for three of the four bank accounts were not reviewed and signed by someone other than the preparer of the bank reconciliations.
- In the month of November 2012, an EFT deposit of \$1,674.00 was deposited into the wrong bank account; however, the County Treasurer's records were adjusted to reflect the error correction rather than the bank account error being corrected.
- In the month of March 2013, an EFT deposit of \$6,696.00 was deposited into the wrong bank account; however, the County Treasurer's records were adjusted to reflect the error correction rather than the bank account error being corrected.
- In the month of January 2013, motor vehicle tax collections in the amount of \$506.31 were coded "OTC Special Fuel" instead of coded "OTC Motor Vehicle." Also, "Special Fuel Tax" collections were coded "OTC Motor Vehicle" and the collections were apportioned to the County General Fund rather than the Highway Cash fund resulting in an error correction of \$9.23.
- On February 5, 2013, a warrant from the Resale Property fund was issued for \$846.10; however, the County Treasurer registered the warrant for \$846.18.
- On June 4, 2013, a warrant from the Resale Property fund was issued for \$560.88; however, the County Treasurer registered the warrant for 560.00.
- The account balances at the local bank and pledged collateral associated with those balances were not formerly monitored on a daily or weekly basis. Additional pledged securities were requested by the County Treasurer at the time significantly larger deposits were expected to be made.
- Computer system passwords were not changed by the Deputy or the County Treasurer.

**HARPER COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED, JUNE 30, 2013**

Cause of Condition: Policies and procedures have not been designed and implemented to review the daily activity in the County Treasurer's office for accuracy and completeness.

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

Recommendation: The Oklahoma State Auditor & Inspector's Office (OSAI) recommends the County Treasurer implement internal control procedures to ensure that individual bank account information is updated on the monthly reports, bank reconciliations are reviewed and signed by someone other than the preparer, errors on EFT deposits are corrected in the proper manner, OTC collections are coded and apportioned correctly, warrants are registered for the amount issued, pledged collateral and bank account balances are monitored daily, and passwords are changed at least every 90 days.

Management Response:

County Treasurer: I will update the monthly reports with the individual bank account information. We have begun a review of all bank reconciliations with signatures and dates of the preparer and the reviewer. I will get on-line banking for the local bank and monitor pledged collateral. We will also implement a process of review for OTC money.

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. 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.

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.

**HARPER COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED, JUNE 30, 2013**

FINDINGS AND RECOMMENDATIONS

Finding 2013-2 – Inadequate Internal Controls and Noncompliance Over Disbursement of County Sales Tax (Repeat Finding)

Condition: Upon inquiry and observation of the recordkeeping process of collecting and expending County sales tax, the following weaknesses were noted:

- There was no evidence that sales tax apportionments were reviewed and approved for accuracy prior to appropriation.
- During the months of July, August, and September 2012, sales tax collections were distributed directly to Buffalo EMS, Laverne EMS, Buffalo Library, Laverne-Delphian Library, the Laverne Senior Citizens, and the County Hospital, which resulted in these sales tax expenditures not being monitored to ensure they are expended in accordance with the sales tax ballot.

Cause of Condition: Policies and procedures with regard to sales tax disbursements have not been designed and implemented to ensure compliance with state statute.

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

Recommendation: OSAI recommends the County require each entity that receives sales tax disbursements to submit purchase orders for the disbursement of sales tax in accordance with state statute.

Management Response:

County Clerk: This error was corrected with the October 2012 sales tax collections. Purchase orders are now issued for each disbursement, rather than the total of monthly sales tax being distributed to each entity.

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.

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.
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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

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which they belong; however, we noted inadequate internal controls over the approved ad valorem tax levies.

FINDINGS AND RECOMMENDATIONS

Finding 2013-3 – Inadequate Internal Controls Over Approved Ad Valorem Tax Levies (Repeat Finding)

Condition: Upon inquiry of the County Treasurer and Deputy, observation, and review of documents, the following deficiency in internal control was noted:

- There was no documentation to indicate a review of the approved levies entered into the County Treasurer's system to the certified levies to ensure they were entered correctly.

Cause of Condition: Internal control policies and procedures have not been designed and implemented to ensure approved ad valorem tax levies are entered correctly and are consistently applied correctly for both prior and new tax years.

Effect of Condition: This condition could result in the misappropriation of ad valorem taxes to the entities that receive ad valorem taxes.

Recommendation: OSAI recommends the County Treasurer implement internal control procedures to ensure that approved levies are entered correctly, which include an independent verification of the approved levies entered into the County Treasurer's system to the certified tax levy. Additionally, a review of prior year levies should be performed to ensure they are not changed when the new levies are entered.

Management Response:

County Treasurer: This was corrected in fiscal year 2014. I enter the levies and my Deputy reviews for accuracy.

Criteria: Effective internal controls include a documented review of key functions be performed and maintained to help prevent and detect errors.

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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 provide reasonable assurance that expenditures, including payroll, were accurately reported in the accounting records and financial operations complied with significant laws and regulations.

There were no findings.

All Objectives:

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

Finding 2013-4 – Inadequate County-Wide Controls (Repeat Finding)

Condition: County-wide controls regarding Risk Management and Monitoring have not been designed. Additionally, the Court Clerk does not have a written Disaster Recovery Plan.

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

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

Recommendation: OSAI recommends that the County design and implement policies and 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 Disaster Recovery Plan should be designed and implemented with the inclusion of all information systems used by each office in order to maintain operations in the event of an emergency situation and/or disaster.

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Management Response:

All Officers: In our regular quarterly officers meetings, we will start addressing risks to the County.

Court Clerk: I will work on preparing a Disaster Recovery Plan.

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

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

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

REPORT ON STATUTORY COMPLIANCE – OTHER MATTERS



Oklahoma State Auditor & Inspector

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

Harper County
Board of County Commissioners
Harper County Courthouse
311 SE 1st St
Buffalo, Oklahoma 73834

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, 2013:

- 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 Harper 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.

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

JANUARY 11, 2016

SCHEDULE OF FINDINGS AND RESPONSES

Finding: 2013-5 – 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 reflected the following internal control weaknesses and noncompliance with state statutes:

- There is no reconciliation performed for the Inmate Trust Fund Checking Account.
- All employees can access the lock box that is used to safeguard funds.
- Passwords to the ODIS system have never been changed.
- The Sheriff does not file an annual report for the commissary fund with the Board of County Commissioners by January 15th of each year.
- The Sheriff has not established procedures regarding unclaimed funds.

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

Effect of Condition: These conditions resulted in noncompliance with state statutes. Without proper accounting and safeguarding of the Inmate Trust Fund Checking Account there is an increased risk of misappropriation of funds.

Recommendation: OSAI recommends the following:

- Key duties and responsibilities should be segregated among different individuals to reduce the risk of error or fraud. No one individual should have the ability to authorize transactions, have physical custody of assets, and record transactions.
- Reconcile bank statements to the Sheriff's records each month to verify accuracy.
- Restrict the access to the keys to the lockbox.
- Change passwords to the ODIS system every 90 days to ensure security of the system.
- Develop policies and procedures with regard to unclaimed funds.
- File a report of the commissary with the County Commissioners by January 15th, of each year.

Management Response:

County Sheriff: We will perform a monthly reconciliation of the Inmate Trust Fund Checking Account. We will attempt to change our passwords periodically to the ODIS system. We now have a form for the annual report and will file the report with the BOCC. We will establish procedures regarding unclaimed funds.

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.

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Additionally, the following state statutes provide guidance with regard to the Inmate Trust Fund Checking Account and Sheriff Commissary Fund.

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.”

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

Finding 2013-6 – Inadequate Internal Controls Over the Court Clerk Collections and Inadequate Segregation of Duties Over Court Fund and Court Clerk Revolving Fund Expenditures (Repeat Finding)

Condition: Upon inquiry of the Court Clerk and staff, observation of financial activities and reconciliation of accounting records, the following internal control weaknesses were determined:

- The Court Clerk and two deputies work from one cash drawer.
- The Court Clerk prepares Court Fund claims, inputs the claim information into the computer system, signs the claim as acknowledgment of goods/services, prepares and prints the Court Fund vouchers, signs and registers the Court Fund vouchers with the Treasurer, and mails/distributes the vouchers to the vendors.
- The Court Clerk prepares Court Clerk Revolving Fund claims, inputs the claim information into the computer system, signs the claim as acknowledgment of goods/services, prepares and signs the Court Clerk Revolving Fund vouchers, registers the vouchers with the Treasurer, and mails/distributes the vouchers to the vendors.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure adequate internal controls over collections and segregation of duties over the Court Fund and Court Clerk Revolving Fund expenditure process.

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Effect of Condition: These conditions could result in unrecorded transactions, undetected errors, or misappropriation of funds.

Recommendation: OSAI recommends the Court Clerk design and implement procedures to ensure adequate internal controls over collections and segregation of duties in the Court Fund and Court Clerk Revolving Fund expenditure processes.

Management Response:

Court Clerk: Regarding all deputies working out of one cash drawer, we will look into getting locking bank bags or installing locks on each desk and provide each individual in the Court Clerk's office with a \$50.00 cash drawer. Regarding expenditures from the Court Fund and the Revolving Fund, the 1st deputy will prepare the claim. The Court Clerk will sign the claim and enter the information into the system. The 2nd deputy will prepare the voucher. The 1st deputy will register the voucher with the Treasurer's office. The 2nd deputy will distribute the voucher.

Criteria: Accountability and stewardship are overall goals of management in accounting of funds. 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 the prevention and detection of error and/or fraud and to safeguard an entity's assets from loss, damage, or misappropriation.

Finding 2013-7 – Inadequate Internal Controls and Noncompliance Over Fixed Assets (Repeat Finding)

Condition: Upon inquiry and observation of fixed asset inventory items, we noted the following:

District 1, District 2, District 3 and Court Clerk:

- Evidence that annual physical fixed assets inventory verification was performed was not documented.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure compliance with the state statutes regarding maintaining and properly identifying fixed assets.

Effect of Condition: These conditions resulted in noncompliance with the state statute. When fixed assets are not monitored, opportunities for misuse or loss of equipment can occur.

Recommendation: OSAI recommends the County comply with 19 O.S. § 178.1 by performing and documenting a periodic inventory of fixed assets. The verification should be performed by an individual independent of the fixed asset recordkeeping process.

Management Response:

District 1: I will make sure that documentation is maintained for the annual inventory verification.

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District 2: I corrected this for FY 14. We now keep documentation of our annual inventory verification which is signed by the individual that verified the inventory and dated the day it was performed.

District 3: I will try to perform annual inventory verification and have documentation of the verification.

Court Clerk: We will maintain documentation of annual inventory verification with signature and date.

Criteria: Internal controls over safeguarding of assets constitute a process, affected by an entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from misappropriation.

Title 19 O.S. § 178.1 states, "The board of county commissioners in each county of this state shall take, or cause to be taken, an inventory of all working tools, apparatus, machinery and equipment belonging to the county or leased or otherwise let to it or to any department thereof, other than that which is affixed to and made a part of lands and buildings, the cost of which as to each complete working unit thereof is more than Five Hundred Dollars (\$500.00), and thereafter maintain or cause to be maintained a continuous inventory record thereof and of like tools, apparatus, machinery and equipment purchased, leased or otherwise coming into the custody of the county or of any office, board, department, commission or any or either thereof, and the disposition thereof whether sold, exchanged, leased or let where authorized by statute, junked, strayed or stolen, and annually thereafter, or oftener in event of death, resignation or removal of an elective officer with a term, to verify or cause to be verified by count and report of the same as of the end of a term of office and as part and parcel of the accounting required by law of a retiring or re-elected officer, and, as to appointive heads of departments amenable directly to the board of county commissioners and as to quasi-governmental boards and commissions such as free fair boards, hospital boards and the like, the same shall be as of the last business day immediately preceding the day certain commencing a new term of the board of county commissioners; all in the manner as provided by law."



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

WWW.SAI.OK.GOV