



LATIMER COUNTY

Financial Report

For the fiscal year ended June 30, 2021

Cindy Byrd, CPA
State Auditor & Inspector

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

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OKLAHOMA
Office of the State Auditor & Inspector

Cindy Byrd, CPA | State Auditor & Inspector

2300 N. Lincoln Blvd., Room 123, Oklahoma City, OK 73105 | 405.521.3495 | www.sai.ok.gov

September 23, 2024

TO THE CITIZENS OF
LATIMER COUNTY, OKLAHOMA

Transmitted herewith is the audit of Latimer 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,

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

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

Board of County Commissioners

District 1 – Jeremy Bullard

District 2 – Jerry Jiles

District 3 – Rodger Kimble

County Assessor

Chris Church

County Clerk

Erin Adams

County Sheriff

Adam Woodruff

County Treasurer

Delana Moon

Court Clerk

Melinda Brinlee

District Attorney

Jeff Smith

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

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FINANCIAL SECTION



Independent Auditor's Report

TO THE OFFICERS OF
LATIMER 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 Latimer 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 Latimer 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 Latimer 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 Latimer County, as of and for the year ended June 30, 2021, in accordance with the basis of accounting described in Note 1.

Emphasis of Matter

As discussed in Note F to the financial statement, the June 30, 2021 financial statement has been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

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 September 18, 2024, on our consideration of Latimer 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 Latimer County's internal control over financial reporting and compliance.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

September 18, 2024

REGULATORY BASIS FINANCIAL STATEMENT

LATIMER 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	\$ 957,209	\$ 1,535,737	\$ -	\$ -	\$ 1,208,752	\$ 1,284,194
County Highway Unrestricted	1,194,831	2,136,128	-	-	1,777,345	1,553,614
Health	185,614	183,814	-	-	163,610	205,818
Sheriff Service Fee	75,446	171,731	-	-	140,023	107,154
911 Phone Fees	13,003	237,270	-	-	188,761	61,512
County Sinking Fund	21	15	-	-	-	36
Emergency Management	3,702	56,781	-	-	39,893	20,590
County Clerk Lien Fee	14,220	5,287	-	-	8,193	11,314
Treasurer Mortgage Certification	9,328	1,725	-	-	859	10,194
Sheriff Drug Buy	290	-	-	-	240	50
Assessor Revolving Fee	645	3,084	-	-	2,651	1,078
Rural Economic Action Plan Revolving Fund	5,953	136,184	-	-	142,137	-
Resale Property	66,054	151,048	-	8,922	76,434	131,746
County Clerk Records Management and Preservation	74,819	30,731	-	-	12,421	93,129
Flood Plain	5,668	-	-	-	1	5,667
Jail	3,969	971	-	-	1,361	3,579
Lodging Tax-ST	26,699	63,985	-	-	56,460	34,224
Free Fair Board	1,229	-	-	-	572	657
Court Clerk Payroll	7,783	85,070	-	-	80,844	12,009
Community Development Block Grant Revolving Fund	-	5,000	-	-	5,000	-
Sheriff Commissary	11,350	19,622	-	-	19,466	11,506
County Donations	58,106	64,694	-	-	12,081	110,719
Sheriff Grant	229	20,502	-	-	20,595	136
Sheriff Forfeiture	441	-	-	-	-	441
Hospital-ST	23	884,389	-	-	821,868	62,544
General Gov't-ST	451,423	585,052	-	45,000	532,037	459,438
Solid Waste Management-ST	431,786	56,121	-	-	50,081	437,826
E-911 Sales Tax	73,272	77,188	45,000	-	67,103	128,357
County Bridge and Road Improvement	980,744	158,849	-	-	144,511	995,082
American Rescue Plan Act 2021	-	978,281	-	-	-	978,281
Total - All County Funds, as Restated	\$ 4,653,857	\$ 7,649,259	\$ 45,000	\$ 53,922	\$ 5,573,299	\$ 6,720,895

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

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

1. Summary of Significant Accounting Policies

A. Reporting Entity

Latimer 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 service 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 as combining information within the financial statement:

County General – accounts for ad valorem taxes, officers' fees, interest earnings, and miscellaneous collections of the County. Disbursements are for the general operations of the County.

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

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

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

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

911 Phone Fees – accounts for monies received from private telephone companies to be used for the operations of emergency 911 services.

County Sinking Fund – accounts for the payment of interest and principal on the matured portion of long-term bonded debt and civil judgements. Debt service receipts derived generally from a special ad valorem tax levy and from interest earned on investments of cash not immediately required for debt service payments.

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

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

Treasurer Mortgage Certification – 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.

Sheriff Drug Buy – accounts for the monies received from the District Attorney to enable the County Sheriff to carry out undercover drug investigations.

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

Rural Economic Action Plan Revolving Fund – accounts for state grant funds received for specific projects as identified by the grant.

Resale Property – accounts for the collection of interest and penalties on delinquent taxes and the disposition of same 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 the preservation of records.

Flood Plain – accounts for the collection from the sale of permits and disbursed for maintenance and operation of the emergency management office.

Jail – accounts for bond fees charged to inmates and is used for the operation of the County Sheriff's office.

Lodging Tax-ST – accounts for the excise tax collected on lodging to be used for the promotion and development of tourism and recreational activities for Latimer County.

Free Fair Board – accounts the collection of donations to be used for the maintenance and operation of the fairground.

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

Court Clerk Payroll – accounts for funds deposited by the Court Clerk and disbursed for payroll for the Court Clerk’s office.

Community Development Block Grant Revolving Fund – accounts for federal funds received to fund the improvements made to High Bridge Road.

Sheriff Commissary – accounts for the monies received from the sale of commissary items and disbursement of funds are for commissary and jail operating expenses.

County Donations – accounts for the donations received and acknowledged by resolutions by the Board of County Commissioners and to be disbursed for the purpose for which they are donated.

Sheriff Grant – accounts for grant funds received from LeFlore County Child Advocacy Center for the reimbursement of deputy salary for investigations related to sexual assault and domestic violence.

Sheriff Forfeiture – accounts for unclaimed inmate trust monies forfeited to the Sheriff’s Office to be used as provided by law.

Hospital-ST – accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax resolution, to be used for hospital purposes.

General Gov’t-ST – accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax ballot to be used for general government purposes.

Solid Waste Management-ST – accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax ballot to be used for solid waste purposes.

E-911 Sales Tax – accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax resolution, to be used for E-911 purposes.

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

American Rescue Plan Act 2021 – accounts for collections from the United States Department of Treasury for the disbursement of funds to replace lost revenue, support immediate economic stabilization, and support urgent response efforts that were a result of the COVID-19 pandemic.

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

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

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.

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

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

state statute are nonnegotiable certificates of deposit. Nonnegotiable certificates of deposit are not subject to interest rate risk or credit risk.

2. Ad Valorem Tax

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

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

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

3. Other Information

A. Pension Plan

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

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

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

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. Sales Tax

On June 24, 2014, the voters of Latimer County approved an amendment of an existing sales tax. The amendment of the sales tax order of said County which provides for the levy and collection of a one percent (1%) sales tax on certain sales providing that the purpose of said sales tax shall be to operate, maintain, equip, and improve the Latimer County Hospital and to retire indebtedness incurred for that purpose, to replace the present three-fourths percent (3/4%) sales tax for the said Hospital; providing that said one percent (1%) sales tax shall continue to be levied so long as the Latimer County Hospital Trust Authority remains in effect; fixing effective date; making provisions cumulative; and providing severability of provisions. The sales tax is accounted for in the Hospital-ST fund.

On November 8, 2016, the voters of Latimer County approved the following amendment of an existing sales tax. The 1/4 cent sales tax in Latimer County currently used by the Latimer County Government for the establishment, maintenance and operation of a solid waste system be redirected and divided for a period of five (5) years as follows: 1/8% to the Latimer County General fund, 1/16% to Latimer County Solid Waste Trust Authority, and 1/16% to Latimer County 911. The sales tax is accounted for in three funds known as the General Gov't-ST, Solid Waste Management-ST, and E-911 Sales Tax.

On March 6, 2018, the voters of Latimer County approved the continuation of the existing 1/2 cent sales tax for the sole benefit of general government for a period of five (5) years. The sales tax is accounted for in the General Gov't-ST fund.

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

E. Interfund Transfers

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

- \$45,000 was transferred from the General Gov't-ST fund to the E-911 Sales Tax fund to cover payroll expenditures (\$20,000) and the lease payment (\$25,000) for 911 equipment as approved on our budget.
- \$8,922 in an interfund loan was transferred from Resale Property to Wilburton School (a trust and agency fund) to pay bond interest due. This was repaid in fiscal year 2022.

F. Restatement of Fund Balance

During the fiscal year, the County had a reclassification of funds. Solid Waste Management fund was reclassified as a trust and agency fund, as it is under the direction of the Latimer County Solid Waste Management Trust Authority.

Prior year ending balance, as reported	\$5,004,961
Funds reclassified as Trust and Agency Funds:	
Solid Waste Management fund reclassified from a	
County Fund to a Trust and Agency fund	<u>351,104</u>
Prior year ending balance, as restated	<u>\$4,653,857</u>

SUPPLEMENTARY INFORMATION

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

	General Fund		
	Budget	Actual	Variance
County Sheriff	\$ 376,228	\$ 334,622	\$ 41,606
County Sheriff - Jail Salaries	191,400	188,284	3,116
County Treasurer	93,708	90,660	3,048
County Commissioners	15,900	15,900	-
O.S.U. Extension	4,518	3,977	541
County Clerk	127,908	124,773	3,135
Court Clerk	86,708	86,708	-
County Assessor	58,608	58,607	1
Assessor Visual Inspection	207,684	171,906	35,778
General Government	581,194	90,916	490,278
Excise - Equalization Board	6,000	4,369	1,631
County Election Expense	40,267	38,629	1,638
County Purchasing	1,000	330	670
Emergency Management	32,000	-	32,000
Courthouse Security	12,400	-	12,400
County Audit Budget Account	13,026	-	13,026
Total Expenditures, Budgetary Basis	<u>\$ 1,848,549</u>	<u>\$ 1,209,681</u>	<u>\$ 638,868</u>

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

	Health Fund		
	Budget	Actual	Variance
Health and Welfare	\$ 328,455	\$ 193,759	\$ 134,696
Total Expenditures, Budgetary Basis	\$ 328,455	\$ 193,759	\$ 134,696

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

1. Budgetary Schedules

The Comparative Schedules of Expenditures—Budget and Actual—Budgetary Basis for the General Fund and the Health Fund presents 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
LATIMER 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 Latimer County, Oklahoma, as of and for the year ended June 30, 2021, and the related notes to the financial statement, which collectively comprise Latimer County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated September 18, 2024.

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 Latimer 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 Latimer County's internal control. Accordingly, we do not express an opinion on the effectiveness of Latimer 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, 2021-004, and 2021-005.

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: 2021-003, 2021-006, and 2021-007.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Latimer 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 are described in the accompanying schedule of findings and responses as items 2021-003 and 2021-004.

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

Latimer County's Response to Findings

Latimer County's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Latimer 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

September 18, 2024

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

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 – County-Wide Internal Controls

Condition: Through the process of gaining an understanding of the County’s internal control structure, it was noted that county-wide controls regarding the Control Environment and Information and Communication 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 a system of county-wide procedures to identify and address risks related to financial reporting and to ensure that information is communicated effectively. OSAI also recommends that the County design and implement monitoring procedures to assess the quality of performance over time. These procedures should be written policies and procedures and could be included in the County’s policies and procedures handbook.

Management Response:

Chairman of the BOCC: Latimer County will look into designing and implementing policies and procedures. We will discuss these in our Quarterly Meeting to ensure monitoring.

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 quasigovernmental 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.

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

Finding 2021-003 – Internal Controls and Noncompliance Over Donations

Condition: After inquiry and review of documentation of donations to the County, the following items were noted:

- Two (2) of the eight (8) donations reviewed were not approved by the Board of County Commissioners (BOCC) in the minutes.
- The BOCC does not approve donations by resolutions; therefore, we were unable determine that funds were deposited into the proper accounts and were expended for the purpose of the donations.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure compliance with chart of accounts for acceptance, reporting, and disbursing of donations.

Effect of Condition: This condition resulted in noncompliance with the chart of accounts. Also, this condition could result in unrecorded transactions, undetected errors, or misappropriation of funds.

Recommendation: OSAI recommends the County design and implement a system of controls to ensure the following:

- Donations be accepted by the BOCC in an open meeting by resolution stating the donation, purpose, and any restrictions.
- A copy of the resolution should be given to the County Treasurer and County Clerk as authority to establish the proper accounts.
- Donations must be tracked according to purpose. If the donation is restricted, use a separate account under the department for each donation. The account name should be the Donor's name or the resolution number.
- If the donation is not restricted it can be co-mingled with other "unrestricted" donations within the department, using a general expense account.
- All donations be expended for the purpose set in the resolution approved by the BOCC.

Management Response:

Chairman of the BOCC: The Latimer County Board of County Commissioners has implemented policies to ensure resolutions are prepared and approved in an Open Board Meeting.

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County Clerk: When the County Clerk is given the information regarding any donation from any department, it is put on the Agenda for the Latimer County Commissioners. We will continue to work to correct the issues and implement the auditors recommended action. We will have a resolution per donation for Latimer County.

County Treasurer: My office will no longer receipt in any donation unless it has a resolution that accompanies it.

Criteria: The GAO Standards – Section 2 – Objectives of an Entity - OV2.23 states in part:

Compliance Objectives

Management conducts activities in accordance with applicable laws and regulations. As part of specifying compliance objectives, the entity determines which laws and regulations apply to the entity. Management is expected to set objectives that incorporate these requirements.

The GAO Standards – Principle 16 – Perform Monitoring Activities: 16.05 states in part:

Internal Control System Monitoring

Management performs ongoing monitoring of the design and operating effectiveness of the internal control system as part of the normal course of operations. Ongoing monitoring includes regular management and supervisory activities, comparisons, reconciliations and other routine actions.

Further, the Chart of Accounts is the “Uniform System of Bookkeeping” prescribed by OSAI as required by 74 O.S. § 214.

Finding 2021-004 – Internal Controls and Noncompliance Over Disbursements

Condition: Upon inquiry and observation of the County’s purchasing process, it was noted that the County does not have an adequate segregation of duties 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.

Additionally, after inquiry and observation of the County’s purchasing process, the following was noted:

- Purchase orders can be obtained by individuals other than the requisitioning officer.
- Requisitioning officers are not signing the purchase order until after goods and/or services have been received and the purchase order is approved for payment.
- The purchasing system automatically prints the County Clerk and Purchasing Officer’s names on the approval for the encumbrance and certification of the encumbrance without the approval of said individual.
- A description of goods and/or services being obtained are not provided at the time of encumbrance of the purchase order, including sales tax purchases.

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- The purchasing system allows for the encumbrance date to be changed.

Cause of Condition: Policies and procedures have not been designed and implemented with regard to the segregation of duties of the disbursement process. Additionally, policies and procedures have not been designed and implemented over the disbursement process to strengthen internal controls and ensure compliance with state statute.

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

Recommendation: OSAI recommends management be aware of this condition and determine if duties can be properly segregated. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risk involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office and having management review and approve accounting functions.

OSAI recommends management take steps to adequately segregate the following key accounting functions:

- Preparing purchase orders.
- Encumbering purchase orders.
- Printing warrants.
- Distributing warrants.

Additionally, OSAI recommends the County adhere to state purchasing guidelines to ensure the following:

- Authorized personnel requisition purchase orders.
- Requisitioning officers sign the purchase order before goods and/or services are purchased.
- Implement passwords for automatic signatures on purchase orders or physically sign for approvals on purchase orders.
- A description of goods and/or services being obtained be provided to the purchasing officer at time of encumbrance.
- Implement automated controls in the software system.

Management Response:

Chairman of the BOCC: The Latimer County Board of County Commissioners will implement the Purchasing Policy that follows the state statute.

County Clerk: The County Clerk's office is staffed with 3 full-time employees and 1 part-time employee. We will continue to work to correct the issues and implement the Auditor's recommended action.

Criteria: The GAO Standards – Principle 10 – Design 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

**LATIMER COUNTY, OKLAHOMA
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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.

Appropriate documentation of transactions and internal control

Management clearly documents internal control and all transactions and other significant events in a manner that allows the documentation to be readily available for examination. The documentation may appear in management directives, administrative policies, or operating manuals, in either paper or electronic form. Documentation and records are properly managed and maintained.

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, design 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 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 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, GAO Standards – Section 2 – Objectives of an Entity – OV2.23 states in part:

Compliance Objectives

Management conducts activities in accordance with applicable laws and regulations. As part of specifying compliance objectives the entity determines which laws and regulations apply to the entity. Management is expected to set objectives that incorporate these requirements.

Finally, Title 19 O.S. § 1505 prescribes the procedures for the encumbrance and requisitioning of funds.

Finding 2021-005 – Internal Controls Over Signature Stamp

Condition: Upon inquiry, observations, and review of documents, we noted the following internal control weakness:

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- The signature stamp for the Chairman of the Board of County Commissioners is utilized by an employee.

Cause of Condition: Policies and procedures have not been implemented to ensure control of the signature stamp due to the official being unaware of the risk involved with someone other than themselves having access to the signature stamp.

Effect of Condition: This condition could result in unauthorized transactions or misappropriation of funds.

Recommendation: OSAI recommends signature stamps are only used by the official to whom it belongs.

Management Response:

Chairman of the BOCC: Going forward, only the Elected Officials to whom the stamp belongs to, will use it.

County Clerk: The signature stamps will only be used by the official to whom it belongs to. These signature stamps are separately kept in a locked box, then are placed in the Treasurer's vault. Latimer County will be implementing these policies and procedures to correct the internal control weakness.

Criteria: The GAO Standards – Section 1 – Fundamental Concepts of Internal Control – OV1.03 states:

Definition of Internal Control

Internal control comprises the plans, methods, policies, and procedures used to fulfill the mission, strategic plan, goals, and objectives of the entity. Internal control serves as the first line of defense in safeguarding assets. In short, internal control helps managers achieve desired results through effective stewardship of public resources.

The GAO Standards – Section 2 – Objectives of an Entity - OV2.24 states in part:

Safeguarding of Assets

Management designs an internal control system to provide reasonable assurance regarding prevention or prompt detection and correction of unauthorized acquisition, use, or disposition of an entity's assets.

Finding 2021-006 – Internal Controls and Noncompliance Over Financial Statement Preparation and Notes to the Financial Statement

Condition: The County is responsible for preparing their annual financial statement and notes to the financial statement. The County Treasurer did not produce the fiscal year 2021 financial statement and notes to the financial statement in a timely manner. The financial statement for the fiscal year ending June 30, 2021, was submitted to, and approved by the BOCC on September 5, 2023. The County financial statement was submitted to OSAI on the same day as approved by the Board, which was two years and two months after the fiscal year end.

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The County has not designed and implemented internal controls to ensure the accurate presentation of the County's financial statement. During the review and reconciliation of the financial statement as initially prepared by the County, we determined that receipts apportioned, transfers out and disbursements were misstated as shown below:

	Receipts Apportioned	Transfers Out	Disbursements
Initial	\$ 7,810,328	\$ 45,000	\$ 5,743,402
Amended	7,649,259	53,922	5,573,299
Variance	\$ 161,069	\$ (8,922)	\$ 170,103

Cause of Condition: Policies and procedures have not been designed and implemented to ensure the County's financial statement and notes to the financial statement are accurately presented in a timely manner.

Effect of Condition: This condition resulted in the receipts apportioned, transfers out and disbursements being inaccurately reported on County's initial financial statement. Further the County's financial statement and notes to the financial statement were not completed in a timely manner.

Recommendation: OSAI recommends the County design and implement policies and procedures to ensure the financial statement and applicable notes to the financial statement are reviewed for accuracy and completeness. Also, OSAI recommends the County design and implement policies and procedures to ensure the financial statement and applicable notes to the financial statement are presented to the Board of County Commissioners for approval and to OSAI for review within two months of the fiscal year end.

Management Response:

Chairman of the BOCC: This issue has been discussed with the Treasurer and will be considered in our policy and procedures for corrective action.

County Treasurer: It is my responsibility to prepare the Financial Statement and Notes to the Financial Statement. Going forward, I will complete them in a timely manner and to the best of my ability.

Criteria: The GAO Standards – Principle 13 – Use Quality Information states:

Identification of Information Requirements

13.02 – Management designs a process that uses the entity's objectives and related risks to identify the information requirements needed to achieve the objectives and address the risks. Information requirements consider the expectations of both internal and external users. Management defines the identified information requirements at the relevant level and requisite specificity for appropriate personnel.

Data Processed into Quality Information

13.05 – Management processes the obtained data into quality information that supports the internal control system. This involves processing data into information and then evaluating

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the processed information so that it is quality information. Quality information meets the identified information requirements when relevant data from reliable sources are used. Quality information is appropriate, current, complete, accurate, accessible, and provided on a timely basis. Management considers these characteristics as well as the information processing objectives in evaluating processed information and makes revisions when necessary, so that the information is quality information.

The GAO Standards – Principle 14 – Communicate Internally – 14.01 states in part:

Management should internally communicate the necessary quality information to achieve the entity’s objectives.

Additionally, Principle 14 – Communication throughout the Entity states in part:

14.02 – Management communicates quality information throughout the entity using established reporting lines. Quality information is communicated down, across, up, and around reporting lines to all levels of the entity.

14.04 – Management receives quality information about the entity’s operational processes that flows up the reporting lines from personnel to help management achieve the entity’s objectives.

Additionally, Principle 16 – Internal Control System Monitoring states in part:

16.05 – Management performs ongoing monitoring of the design and operating effectiveness of the internal control system as part of the normal course of operations. Ongoing monitoring includes regular management and supervisory activities, comparisons, reconciliations and other routine actions.

Additionally, GAO Standards – Section 2 – Objectives of an Entity – OV2.21 states in part:

Reporting Objectives

Reporting objectives relate to the preparation of reports for use by the entity, its stakeholders, or other external parties. Objectives related to gathering and communication information needed by management to support decision making and evaluation of the entity’s performance.

The County is required to present a financial statement for each fiscal year ended June 30. Title 19 O.S. § 171 states, in part, “Unless the county elects to prepare its financial statement in accordance with Generally Accepted Accounting Principles as prescribed by the Governmental Accounting Standards Board, the county shall present their financial statements in a regulatory basis of accounting.”

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Finding 2021-007 – Internal Controls and Noncompliance Over Transfer of Funds

Condition: Upon review of the County financial statement transactions, we noted funds were transferred between two restricted sales tax funds to cover payroll and lease expenditures totaling \$45,000.

- The County transferred \$25,000 from General Gov't-ST fund to E-911 Sales Tax fund to cover lease payment.
- The County transferred \$20,000 from General Gov't-ST fund to E-911 Sales Tax fund to cover payroll expenditures.

Also, the County transferred \$8,922 from the Resale Property to Wilburton Schools (a trust and agency fund) as a loan to be used for the school bond interest due. Wilburton Schools failed to repay these funds back to the Resale Property fund by the end of the fiscal year 2021.

Cause of Condition: Policies and procedures have not been implemented over the transfer of funds to ensure compliance with 68 O.S. § 3021, 68 O.S. § 1370E, and Attorney General Opinion 2014 OK AG.

Effect of Condition: This condition resulted in noncompliance with state statutes, and the AG Opinion. Further, this condition could result in undetected errors, and misappropriation of funds and inaccurate records.

Recommendation: OSAI recommends that the County design and implement policies and procedures to identify all allowable operational transfers and ensure these transfers be made in accordance with 68 O.S. § 3021, 68 O.S. § 1370E, and Attorney General Opinion 2014 OK AG.

Management Response:

Chairman of the BOCC: The Latimer County Board of County Commissioners will try to find a different route to help fund the 911 through our budget.

County Treasurer: We are working on a solution to correct the issue so that we will be in compliance.

I received permission from the District Attorney's office to transfer the funds from my Resale Fund to Wilburton School's Sinking Fund. Their Sinking Fund didn't have enough in it to pay the interest payment on their bond. We had a company file bankruptcy in Wilburton School district. If this one company had paid their taxes, Wilburton School's Sinking Fund would have had adequate funds to pay their obligation. I had to pay back the funds as we collected the ad valorem taxes. The transfer was done at the end of the fiscal year, so there was no way to repay the funds in the same year.

County Clerk: We will continue to work to correct the issues and implement the Auditor's recommended action. The correct subaccounts for the E911 Sales Tax will be created.

Criteria: The GAO Standards – Principle 6 – Define Objectives and Risk Tolerances states in part:

Definition of Objectives

6.05 – Management considers external requirements and internal expectations when defining objectives to enable the design of internal control. Legislators, regulators, and

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standard-setting bodies set external requirements by establishing the laws, regulations, and standards with which the entity is required to comply. Management identifies, understands, and incorporates these requirements into the entity's objectives. Management sets internal expectations and requirements through the established standards of conduct, oversight structure, organizational structure, and expectations of competence as part of the control environment.

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

Title 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.

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

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

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 2021-002 – Internal Controls and Noncompliance Over Bidding

Condition: During our review of purchases and bid documentation, the following exceptions were noted:

- Without soliciting bids, the County purchased hot water washers for all three (3) Highway Districts and the Solid Waste Department. This purchase exceeded the bid threshold of \$15,000.
- The County is purchasing fuel from a local vendor without soliciting quotes as statutorily required.

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Cause of Condition: Policies and procedures have not been designed and implemented to ensure purchases are made in compliance with state statutes.

Effect of Condition: These conditions resulted in noncompliance with state statutes regarding the solicitation and awarding of bids. These conditions could result in the County not awarding to the lowest and best acceptable bid, and could result in inaccurate records, incomplete information, or misappropriation of assets.

Recommendation: OSAI recommends the County design and implement policies and procedures to ensure that bids are solicited and awarded in accordance with state statutes for all equipment and fuel purchased.

Management Response:

Chairman of the BOCC: The Latimer County Board of County Commissioners will comply with the bidding act in the future. This finding on pressure washers was an oversight, not considering Districts as a whole department thinking of them as separate departments. We will implement oversight on purchasing of fuel. We will also implement the procedure of getting phone quotes for purchasing stocked fuel.

County Clerk: To the best of our ability, Latimer County follows the bidding process. In the past when there have been questions regarding the bid process and/or amounts, email and calls are always made to the Auditor's office to get clarification. We will continue to work to correct the issues and implement the Auditor's recommended actions.

Criteria: GAO Standards – Section 2 – Establishing an Effective Internal Control System – OV2.23 states in part:

Compliance Objectives

Management conducts activities in accordance with applicable laws and regulations. As part of specifying compliance objectives, the entity determines which laws and regulations apply to the entity. Management is expected to set objectives that incorporate these requirements.

Additionally, GAO Standards – Principle 6 – Define Objectives and Risk Tolerances – 6.05 states:

Definitions of Objectives

Management considers external requirements and internal expectations when defining objectives to enable the design of internal control. Legislators, regulators, and standard setting bodies set external requirements by establishing the laws, regulations, and standards with which the entity is required to comply. Management identifies, understands, and incorporates these requirements into the entity's objectives. Management sets internal expectations and requirements through the established standards of conduct, oversight structure, organizational structure, and expectations of competence as part of the control environment.

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Title 19 O.S. § 1501(A)(3)(a) states “when the purchase does not exceed Fifteen Thousand Dollars (\$15,000.00). All purchases made pursuant to this subparagraph shall be by a single purchase order. Splitting purchase orders which would result in paying an amount in excess of the limitations specified in this subparagraph is expressly prohibited...”

Title 19 O.S. § 1501(A)(3)(g) states “purchases of fuel if the county purchasing agent obtains quotes from at least three vendors prior to the purchase and the lowest and best quote is selected. Documentation of these quotes shall be recorded in the permanent records of the clerk.”

Finding 2021-008 – Segregation of Duties – Court Clerk (Repeat Finding – 2019-007, 2020-007)

Condition: Upon inquiry and observation of the expenditure process for the Court Fund, it was noted that the Court Clerk performs the following:

- One employee can open mail, receipt the mail, verify all deputies’ receipts to monies collected, generate a receipt listing, and prepare and deliver deposit to the County Treasurer. Additionally, the employee performs the monthly balancing of the Court Fund.
- The Court Clerk receives invoices, enters claims into the system, prints and signs vouchers, takes vouchers to be registered with the County Treasurer, and disburses vouchers to the vendors.

Cause of Condition: Policies and procedures have not been designed or implemented with regards to segregation of duties and/or compensating controls of the court fund receipting, depositing, expenditure, and reporting processes.

Effect of Condition: This condition could result in unrecorded transactions, undetected errors, misstated financial statements, or misappropriation of funds.

Recommendation: OSAI recommends that procedures be developed to separate key functions of the Court Fund expenditure process. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risk involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office and having management review and approve accounting functions.

Management Response:

Court Clerk: I agree with this finding and recommendation.

Criteria: The GAO Standards – Principle 10 – Design 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,

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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.

Finding 2021-009 – Lack of Internal Controls and Noncompliance Over the Inmate Trust Fund Checking Account and Sheriff Commissary Fund

Condition: Upon inquiry of County personnel, observation, and review of documents regarding the Inmate Trust Fund Checking Account and Sheriff Commissary Fund, the following weaknesses were noted:

Inmate Trust Fund Checking Account

- The monthly reconciliations performed between the handwritten ledgers and bank statement balances were not signed and were not reviewed or approved by someone other than the preparer.
- Two signatures on checks were not obtained for approval of disbursements. Furthermore, individuals signed checks that were not authorized signers on the bank account.
- Receipts were not issued in sequential order. Handwritten receipts were not reconciled to the inmate trust ledger. Additionally, these receipt books are generic as they do not list the County's name nor inmate trust on them.
- Unclaimed property procedures are not being followed regarding unclaimed inmate balances.
- A detailed listing of all inmates' balances is not reconciled to the Inmate Trust Fund ledger and a detailed listing were not retained and are not accessible or able to be generated at a later date.
- Upon review of the Inmate Trust Account Ledger, deposits are not made on a daily basis.

Sheriff Commissary Fund

- The Sheriff's office Commissary Report filed with the BOCC is not properly performed and reconciled.

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

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

Recommendation: OSAI recommends the following:

Inmate Trust Fund Checking Account

- Inmate Trust Fund Checking Account monies should be maintained in a manner that reflects each inmate's trust deposits, disbursements, and account balances. The total of inmates' trust fund balances should be reconciled to the bank statements each month with someone other than the preparer reviewing it.
- The Sheriff's office should design and implement controls to ensure only those authorized on the account's signatures card can sign for checks. Additionally, the account's signature card needs to be routinely updated to ensure only active employees can sign.
- The Sheriff's office should obtain receipts books that clearly identify them as "Latimer County Inmate Trust" and issue receipts in sequential order.
- The Sheriff's office should design and implement procedures to address unclaimed Inmate Trust Fund monies in accordance with 22 O.S. § 1325(F, H).
- All monies collected should be deposited on a daily basis in accordance with 19 O. S § 682.

Sheriff Commissary Fund

- The County Sheriff should ensure accuracy of the Commissary Report filed with the Board of County Commissioners.

Management Response:

County Sheriff: The issues have been addressed and the Latimer County Sheriff's Administration is working towards resolving these problems.

Criteria: The GAO Standards – Principle 10 – Design Control Activities: 10.03 states in part:

Accurate and timely recording of transactions

Transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from its initiation and authorization through its final classification in summary records. In addition, management designs control activities so that all transactions are completely and accurately recorded.

Proper execution of transactions

Transactions are authorized and executed only by persons acting within the scope of their authority. This is the principal means of assuring that only valid transactions to exchange,

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transfer, use, or commit resources are initiated or entered into. Management clearly communicates authorizations to personnel.

The GAO Standards – Principle 16 – Perform Monitoring Activities – 16.05 states:

Internal Control System Monitoring

Management performs ongoing monitoring of the design and operating effectiveness of the internal control system as part of the normal course of operations. Ongoing Monitoring includes regular management and supervisory activities, comparisons, reconciliations, and other routine actions. Ongoing monitoring may include automated tools, which can increase objectivity and efficiency by electronically compiling evaluations of controls and transactions.

Title 19 O.S. § 180.43D requires that an annual report of the Sheriff's Commissary be submitted to the Board of County Commissioners by January 15th of each year. The State Auditor and Inspector shall conduct an audit of the report in the same manner as other public records of the county.

Title 19 O.S. § 682 prescribes the procedures for depositing daily.

Title 22 O.S. § 1325(F, H) prescribes the procedures for handling unclaimed property.



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